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Canada. Parliament.
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Government
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Canada. Public Accounts.
Select Standing Committee.

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THIRD REPORT

OF THE

SELECT STANDING COMMITTEE

ON

PUBLIC ACCOUNTS.

RELATING TO THE EXPENDITURE OF

CERTAIN SECRET SERVICE FUNDS

Canada. Parliament. House of Commons.
Select Standing Committee on Public
Accounts.

Report.

PRINTED BY MACLEAN, ROGER & CO., WELLINGTON STREET.

1877

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CERTAIN SECRET SERVICE FUNDS.

Printed by Order of Parliament.



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OTTAWA:

PRINTED BY MACLEAN ROGER & Co., WELLINGTON STREET.

1877.

REPORT.

THE SELECT STANDING COMMITTEE on Public Accounts, to whom was referred the following items of expenditure of Secret Service Funds, viz.: The item of \$15,086.41, for the year 1868; the item of \$33,103.88, for the year 1869; the item of \$10,208.54, for the year 1870; and the item of \$75,000, for the year 1871, have had the same under consideration; and upon the order of reference and matters connected therewith, including the refund of \$25,579.04 to the Receiver-General on 12th November, 1875, and the withdrawal of \$6,600 from the same fund upon the same day, the Committee beg to present as their

THIRD REPORT:

That they have examined several witnesses, a copy of whose evidence together with the motions, proceedings and votes of the Committee in this reference, is appended, and upon the facts established before the Committee they beg leave to submit the following:—

In the session of 1867-68 Parliament appropriated for Secret and Detective Service for the fiscal year, 1867-68, the sum of \$50,000.

On the 5th June, 1868, within four weeks of the close of the fiscal year, an order was made in Council directing \$50,000 of the vote for Secret and Detective Service for 1868 to be placed on special account with the Bank of Montreal, in the names of the Minister of Justice, the Minister of Militia, the Minister of Finance, and the Minister of Inland Revenue, whose certificate that the money or any part thereof had been disbursed for the service of the country should be a sufficient discharge and voucher for the payment of the same. On the 6th of June this sum was deposited accordingly.

Between the 10th and the 29th of June there was drawn, as appears by the Bank account produced by the Agent of the Bank, \$21,991.41, leaving a balance unexpended at the close of the fiscal year of \$28,008.59. By the Public Accounts the sum of \$15,081.41 only is entered as expended during the fiscal year. This entry was made by the Auditor General under verbal instructions from some Minister, but whom he does not remember. No certificate of any Minister for the disbursement of this or any other sum expended for this service has ever been given.

In the session of 1869 the sum of \$75,000 was voted for this service for the fiscal year 1868-69, but this vote was written off.

During the fiscal year 1868-69 the sum of \$24,128.88 was, as appears by the Bank account, drawn from the special account already referred to, leaving a balance at the close of the year of \$3,879.71. By the Public Accounts the sum of \$33,103.88 is entered as expended during this fiscal year. This entry was made by the Auditor-General on authority similar to that of the preceding year.

The balance unexpended by the Public Accounts thus appears to have been \$1,809.71.

During the fiscal year 1869-70, the Auditor, on the 18th October, 1869, certified: "That a transfer entry warrant may issue charging special deposit Secret Service, and crediting services of 1868 with \$8,398.83, being the balance unexpended in the year 1866-67."

The history of this sum is as follows:—Prior to Confederation the Legislature of the late Province of Canada had appropriated a sum for Secret Service, out of which by an Order in Council, dated August 6th, 1866, \$50,000 was ordered to be placed in a special account with the Bank of Montreal, in the names of the Attorneys General for Upper and Lower Canada, the Minister of Finance, and the Provincial Secretary; and was so placed on the following day, August 7th. On the 30th June, 1867, there remained unexpended of this amount the sum of \$8,398.83.

This sum was a banker's balance within the meaning of the 107th clause of the British North America Act, 1867, which provides that:—

“ All stocks, cash, banker's balances, and securities for money belonging to each Province at the time of the Union, except as in this Act mentioned, shall be the property of Canada, and shall be taken in reduction of the amount of the respective debts of the Provinces at the Union.”

Certain moneys paid by the Dominion immediately after the Union for certain services of the late Province of Canada were charged against the late Province in the Public Accounts of 1867-68, and in reduction thereof credit was given to the late Province for this balance as so much cash, thus closing this item of the accounts between the late Province and the Dominion. The balance which was thus the property of Canada remained untouched from 27th July, 1867, until 18th October, 1869, when under the authority of a transfer warrant issued by virtue of the Auditor's certificate above quoted; and without any Order in Council, it was transferred in the Public Accounts to the Secret Service account, and being added to the balance \$1,809.71 of the vote of \$50,000 for 1867-68, makes the sum of \$10,208.54, appearing in the Public Accounts for the year 1868-69, as an asset.

The Auditor states that this transfer was made because the fund was getting low.

By this transaction the sum in question was, in fact, diverted from the general funds of Canada and appropriated to Secret Service without authority from or indemnity by Parliament.

By the Bank account the expenditure during the fiscal year 1869-70 was \$13,960. In the Public Accounts the sum of \$10,208.54 is entered as expended for this year. This entry was made by the Auditor under similar circumstances to the preceding entries of similar expenditures.

During the session of 1870 the sum of \$75,000 was appropriated for this service for the fiscal year 1870-71.

On the 1st July, 1870, an Order in Council was made directing that \$30,000 be appropriated of the vote for 1870-71, and that a warrant should issue in favor of the Manager of the Bank of Montreal, with directions “to place it in special account with the Bank of Montreal in the names of the Minister of Justice, the Minister of Militia, the Minister of Finance, and the Minister of Inland Revenue, whose certificate that the same or any part thereof has been disbursed for the service of the country shall be a sufficient discharge and voucher for the payment of the same,” and on the 6th July this sum was passed to the credit of the old special account of the late Province which had been opened on August 7th, 1866, and was thus added to the balance already referred to as standing to the credit of that account. The Bank account shows that from this account was drawn \$32,299.20 between 1st July and 6th December, 1870, at which date an Order in Council in terms similar to the one of July 1st, authorized the deposit of \$10,000 more. Between that date and February 11th, 1871, there was drawn \$749.30, and on February 11th there was deposited to the credit of the account the sum of \$15,584, which had been previously drawn by the then Minister of Finance for the payment of certain claims in connection with the difficulties in the Red River Settlement.

This deposit is stated to have been made out of funds provided under Orders in Council of 14th February and 10th July, 1871.

Between the 11th February and the close of the fiscal year 1870-71, there was drawn \$5,030, making the total drawn during that year for Secret Service, (and exclusive of the sum of \$15,584 drawn and re-deposited as already mentioned), \$22,494.50.

The balance appearing by the Bank account at the credit of this account on 30th June, 1871, is \$15,754.04.

On the 26th June, 1871, Sir John A. Macdonald, Minister of Justice, reported to Council "That it appears from the certificate of the Auditor that there remains "unexpended of the vote for Secret Service the sum of thirty-five thousand dollars.

"As there was no vote taken for Secret Service last session, and inasmuch as "there is sufficient evidence to show that the public interests may require that the "unexpended balance should be used, the undersigned recommends that the same be "carried to the credit of the Sub-Committee of Council on Secret Service matters."

And on the following day an Order in Council was made, carrying out this recommendation. In pursuance of this Order the sum of \$35,000 was, on the 3rd July, 1871, carried to the credit of the account.

By this course the whole of the vote of \$75,000 was taken, although there remained unexpended at the close of the fiscal year 1870-71 the two sums of \$15,754.04, and \$35,000, making in all \$50,754.04. In the Public Accounts for this fiscal year the whole sum of \$75,000 is entered as actually expended. This entry was made by the Auditor under verbal instructions. The Public Accounts contain no indication that any alteration was being made in the system of entry or accounting.

Sir John A. Macdonald states that he recommended the issue of \$35,000 on June 26th, 1871, partly because there were old claims, the payment of which might require a considerable sum, and partly because the public exigencies might require further expenditure.

The Bank account shows that between the 30th June, 1871, and 29th May, 1872, there was drawn \$3,575, which includes the sum of \$1,000 paid on the 27th December, 1872, to Archbishop Taché for Louis Riel, and referred to in the report of the Select Committee on the North-West Troubles.

On the 29th May, 1872, the Select Standing Committee on Public Accounts reported to the House as follows:—

"That inasmuch as such large sums as \$75,000 have been voted for Secret Service "money, of which there is no audit as in the case of other expenditure, this Com- "mittee is of opinion that an account of all sums hereafter spent for Secret Service "should be kept as in England, in a book specially prepared for the purpose, and "that this book should annually be inspected by a confidential Committee, of whom "two shall be members of the Opposition of the day."

No further sum was drawn during the fiscal year 1871-72, and the balance at the close of that year remained at \$47,179.40.

On November 11th, 1872, \$10,000 was transferred to the credit of Sir John A. Macdonald in the Bank of Montreal, Toronto, from which Bank it was drawn as follows: November 13, \$2,000; November 15, \$3,000; November 15, \$3,000; November 19, \$2,000.

On the 5th March, 1873, being the day of the opening of Parliament, Mr. Drummond, at the request of Sir John A. Macdonald, sent him all the cheques and other vouchers in connection with the various Secret Service accounts to that date, and Sir John A. Macdonald is unable to say where these papers are or what has become of them.

On the 27th June, 1873, the further sum of \$5,000 was drawn, making a total during the fiscal year 1872-73, and subsequent to the above quoted resolution of the Committee on Public Accounts, of \$15,000, and leaving a balance at the close of that year of \$32,179.04.

In August, 1873, Mr. Drummond, at Sir John A. Macdonald's request, sent him the cheques and other vouchers in connection with the payments subsequent to March 5th, and Sir John A. Macdonald is unable to say where these papers are or what has become of them.

To summarize for convenience, the expenditures and unexpended balance of each fiscal year, as appears by the Bank account, exclusive of the amount of \$15,584 re-deposited February 11th, 1871, and not crediting the unexpended balance of

\$8,398.83, until it was transferred October 18th, 1869, they are shown to be as follows:—

Expenditure for year 1867-68.....	\$21,991 41
Balance at close of the year.....	28,008 59
Expenditure for year 1868-69.....	24,128 88
Balance at close of the year.....	3,879 71
Expenditure for year 1869-70.....	13,960 00
Expenditure for the year 1870-71.....	22,494 50
Balance at close of the year.....	15,754 04

Exclusive of \$35,000 not deposited till July 3rd.

Expenditure for year 1871-72.....	3,575 00
Balance at close of the year.....	47,179 04
Expenditure for year 1872-73.....	15,000 00
Balance at close of the year.....	32,179 04

On the 7th of November, 1873, the Ministry of Sir John A. Macdonald resigned.

No intimation was given by the out-going to the in-coming Ministers of the existence of the balance of \$32,179.04, nor was any proposal then made to clear the account.

Just before the time of his resignation, Sir John A. Macdonald intimated to Mr. Langton, the Auditor-General, that there was a balance which was subject to some outstanding claims; but that fact was not communicated by Mr. Langton to the new Ministers.

More than once between the resignation and November, 1875, Sir John A. Macdonald intimated to Mr. Drummond, Manager of the Bank of Montreal, his desire to withdraw from the special deposit a sum in respect of some alleged outstanding claims, but Mr. Drummond stated that he considered the authority of the Government would be requisite for such a transaction, on which Sir John intimated that he would communicate with Mr. Langton on the subject.

Matters so remained till November, 1875, when Sir John A. Macdonald visited Ottawa, and saw Mr. Langton upon the business. Thereupon Mr. Langton had a conversation with Mr. Drummond, who subsequently wrote Mr. Langton the following letter:—

“ BANK OF MONTREAL,
“ OTTAWA, 3rd November, 1875.

“ MY DEAR SIR,—The balance of credit of the special of Sir John A. Macdonald in this branch is \$32,179.04.

“ In view of this being closed under the arrangements you may have agreed on with Sir John, please send me such official instructions as to its disposal as may be requisite to authorize me to carry out the same.”

On November 4th, Mr. Drummond received the following reply:—

“ November 4th, 1875.

“ MY DEAR SIR,—I had an interview with Sir John Macdonald before I left Ottawa, in which he explained to me that the balance of Secret Service standing in his name was \$32,179.04. Of this \$6,600 is pledged for certain expenses incurred before the resignation of the late Ministry, and he wishes the balance to be deposited.

“ Be good enough, therefore, to deposit the \$25,579.04 to the credit of the Receiver-General, and send me a duplicate and triplicate of the deposit.

“ (Signed) JOHN LANGTON.”

On the 12th November, 1875, Sir John A. Macdonald drew a cheque on the account in question in his own favour for \$6,600, and another cheque in favour of the Receiver-General for the balance of \$25,579.04. The latter was deposited to the credit of the Receiver-General; the former was transferred to Sir John A. Macdonald's private account at Toronto.

On 12th November, Mr. Drummond wrote the following letter to Mr. Langton:

“BANK OF MONTREAL,
“OTTAWA, 12th November, 1875.

“DEAR SIR,—The special Secret Service Fund account has been closed in the manner authorized by your letter of the 4th inst., by the accounting to Sir John A. Macdonald for \$6,600, the amount pledged by him as agreed with you, and transfer of the balance \$25,579.04 to the credit of the Receiver-General as per enclosed receipt No. 66.

“(Signed) A. DRUMMOND,
 Manager.”

None of the parties made any communication of these transactions to any Minister till after they had been closed, when Mr. Langton informed the Prime Minister, Mr. Mackenzie, of the receipt of revenue under the head of Secret Service, and also of the retention by Sir John A. Macdonald of the sum of \$6,600. It was not intimated to Mr. Mackenzie that this sum had been standing to the credit of a Committee of Council, and his impression was that it had been in the hands of Sir John A. Macdonald individually, and that he had disbursed it.

In this view, Mr. Mackenzie discussed the subject with Mr. Langton, who, on 23rd November, wrote Sir John A. Macdonald the following letter:—

“November 23rd, 1875.

“MY DEAR SIR JOHN,—When I mentioned to Mr. Mackenzie the other day, the receipt we had had from you on account of Secret Service money, he requested me to call your attention to a resolution of the Committee upon public accounts which was submitted to the House, and which you will find at page 173 of the Journals of 1872. I doubt whether there was any expenditure for Secret Service after that date, as I learn from the Bank of Montreal that the present balance had remained untouched for upwards of a year before the resignation of your Ministry, but Mr. Mackenzie intimated that he would expect a statement to be made of the payments made out of the \$6,600 which you withhold as already pledged, in accordance with that resolution.

“(Signed) JOHN LANGTON,
 “Auditor.”

To this, Sir John A. Macdonald replied as follows:—

“TORONTO, November 30th, 1875.

“MY DEAR LANGTON,—I have yours of the 23rd, which absence from home has prevented me from acknowledging before.

“I do not think that the fund at my disposal comes within the resolution you refer to; but I shall wait on Mr. Mackenzie, and explain the matter to him on the first opportunity. I would have done so had he been in Ottawa when I was there, but he had gone to the Maritime Provinces.

“(Signed) JOHN A. MACDONALD.”

Sir John A. Macdonald retained the sum of \$6,600, and during the session of 1876 was informed by Mr. Mackenzie, on three several occasions, that the whole subject must be communicated to Parliament. He requested delay, however, partly owing to illness, promising to see Mr. Mackenzie in relation to the matter. He did not see Mr. Mackenzie to give the promised explanations until about the time of prorogation, when a conversation was had which did not result in any arrangement.

Shortly afterwards Sir John A. Macdonald paid \$6,000 to the Hon. Senator Campbell; \$600 he still retains for the purpose hereinafter mentioned.

Sir John A. Macdonald states that all the moneys spent since the 29th May, 1872, save the \$600 chequed out for payment to the Hon. J. H. Pope, were for claims contracted before 29th May, 1872.

The Committee abstaining, in view of the resolution of the 29th May, 1872, from any public enquiry into the destination of the sums expended, have not investigated the specific dates at which all those claims arose which were satisfied by payment subsequent to the resolution of 1872; but it has been made to appear, with reference to the sum of \$600 retained to meet a payment made by the Hon. J. H. Pope, the member for Compton, that this claim arose in the summer of the year 1873, and consequently subsequent to the date of the resolution.

The English law and practice applicable to Secret Service moneys, so far as material to the present enquiry, seems to be as follows:—

(1.) When money is issued from the pay office to the Secretary of State as Secret Service money, the Secretary of State gives a receipt under his own hand for the money which is issued to him.

(2.) By 22 Geo. III., c. 82, it is provided by section 24, as follows:—"and from preventing as much as may be all abuses in the disposal of moneys issued under the head of Secret Service money, or money for special service, be it enacted by the authority aforesaid, that it shall not be lawful to issue or imprest from the Exchequer, or order to be paid by a Treasury Warrant, or under sign manual or otherwise, to any Secretary or Secretaries of the Treasury, or to any other person or persons whatsoever, from the Civil List revenues, for the purpose of Secret Service within this Kingdom, any sum or sums of money which in the whole shall exceed the sum of ten thousand pounds in any one year." And it is also provided that when the Treasury issues or directs the payment of money from the civil list revenues for foreign Secret Service, the same is issued and paid to one of His Majesty's principal Secretaries of State, or to the first Commissioner of the Admiralty, who shall for his discharge at the Exchequer, within three years from the issue, produce the receipt of His Majesty's Minister, Commissioner, or Consul in foreign parts, or of any Commander in Chief or other commander of His Majesty's Navy or land forces to whom the said money shall have been sent or given; that the same hath been received for the purpose for which the same hath been issued; which said receipt shall be filed in the Exchequer in order to charge the said foreign Minister or other officer with the same, and the said receipt shall be sufficient to acquit or discharge the said Secretary or Secretaries, or first Commissioner of the Admiralty in the said account at the Exchequer.

And any foreign Minister or other officer who shall stand charged at the Exchequer for or by reason of any Secret Service money by him received, shall stand discharged and acquitted thereof, if within one year after his arrival in Great Britain he shall either return the said money into the Exchequer or make oath before the Barons of the Exchequer, or one of them, in form following:

I, A. B., do swear that I have disbursed the money entrusted to me for foreign Secret Service faithfully, according to the intent and purpose for which it was given; according to the best of my judgment, for His Majesty's service. So help me God.

And also, whenever it shall be necessary for the principal Secretary of State, or first Commissioner of the Admiralty, to make payment of any money issued for foreign Secret Service, or for Secret Service, in detecting, preventing, or defeating treasonable conspiracies against the State in any place within the Kingdom, then it shall be sufficient to acquit and discharge the said Secretary or other Minister for him or the Under Secretary of State in the office in which such Secret Service money hath been

paid, or the Secretary of the Admiralty, to make out before the Barons of the Exchequer, or one of them, or before the Cursory Baron, in form following: I, A. B., do swear that the money paid to me for foreign and Secret Service, or for Secret Service, in detecting, preventing, or defeating treasonable or other dangerous conspiracies against the State, (*mutatis mutandis*, as the case may be), has been *bona fide* applied to the said purpose or purposes, and to no other; and that it hath not appeared to me convenient to state that the same should be paid abroad.

(3.) The practice enjoined by this Statute is acted on with reference to the Parliamentary appropriation made from year to year for Secret Service.

(4.) Each out-going Secretary of State immediately renders an account, and transfers the money in his hands to the new Secretary of State, who starts with a fresh account, carrying on as the first item on the debit side the Secret Service money which has been transferred to him by the previous Secretary of State.

(5.) Since 1870, the amount expended during the fiscal year is entered in the Public Accounts for the year as expended for Secret Service.

(6.) Since 1870 the balance unexpended at the end of the fiscal year is surrendered to the Treasury in like manner as other balances of public funds.

The Canadian law contains no special provision for Secret Service expenditures, and consequently some of the special safeguards provided for by the English law are absent.

Under the Canadian law and Orders in Council and the resolution of the Public Accounts Committee of May 29th, 1872, the practice should have been as follows:—

(1.) The Ministers in whose names the fund was placed, should have certified that the money paid therefrom had been disbursed for the service of the country.

(2.) The amount disbursed during the fiscal year should have been entered in the Public Accounts for the year, as expended for Secret Service.

(3.) The amount unexpended at the end of the fiscal year, remaining at the credit of the special account of the Sub-Committee of Council on Secret Service, should have been treated as a lapsed balance, under the Act 31 Vic., cap. 5, sect. 28, which, without making any exception whatever, provided that: "All balances of appropriations which remain unexpended at the end of the financial year, shall 'lapse and be written off.'

(4.) Any moneys standing to the credit of any Sub-Committee of Council on Secret Service, should have been treated as remaining at the credit of the Sub-Committee, notwithstanding any change in the persons of the Ministers composing the Sub-Committee, and thus, in case any of such persons ceased to hold office, his interest in or control over the moneys would thereon end, and his successor in office would succeed to his rights and responsibilities in this as in other respects. The same rule would, of course, apply in the case of the resignation of all the members of the Sub-Committee.

(5.) If, however, it were supposed that owing to the form of the deposit or otherwise, any member of the Sub-Committee retained after his resignation control over the fund, or in case any portion of the fund had been before his resignation placed in the individual control of any member of the Sub Committee for expenditure, but had not been actually disbursed, such individual could not after his resignation, have any right to disburse the fund, but would be bound to hand it over to those who had succeeded to his responsibilities.

In this connection reference may be made to the 42nd clause of the Act respecting the liability of Public Accounts, 31 Vic., cap. 5, which provides that:

"If any officer or person has received public money for the purpose of applying it to any specific purpose, and has not so applied it within the time or in the manner provided by law, or if any person having held any public office and having ceased to hold the same, has in his hands any public money, received by him as such officer, for the purpose of being applied to any specific purpose to which he has not so applied it, such officer or person shall be deemed to have received such money for the Crown, for the public uses of the Dominion, and may be notified by the Minister of Finance to pay such sum back to the Receiver-General, and the same may be

" recovered from him as a debt to the Crown in any manner in which debts to the Crown may be recovered, and an equal sum may, in the meantime, be applied to the purpose to which such sum ought to have been applied."

(6) An Account should have been kept of all sums spent, and this, more especially, after the resolution of the Public Accounts Committee of May 29th, 1872.

These provisions appear to have been disregarded. For example :

(1) No certificate or voucher of the disbursing Ministers was given.

(2) The entries made (without any such certificate) of amounts expended in the earlier fiscal years after Confederation were, as compared with the bank account, varied therefrom.

(3) The unexpended balances were not surrendered.

(4) With reference to the expenditure of the vote for 1867-68, a sum was entered in the Public Accounts as actually expended in the fiscal year, and an assumed balance was carried forward as an asset. This practice was repeated for the two following years, and thereby Parliament was practically told that the amount entered as expended in each fiscal year had been actually expended in that year, and that the balance was being carried forward for expenditure in future years.

This course was, however, without any communication of the change, departed from in the case of the large vote of \$75,000 for the service of the fiscal year 1870-71, the whole of which sum was entered as actually expended in that fiscal year, although at the close of the year \$50,754.04, or more than two-thirds of the amount remained unexpended, \$35,000 of which was actually not placed to the credit of the Sub-Committee until three days after the close of the fiscal year.

The result of this alteration of system without communication to Parliament, was to lead Parliament to believe that the Secret Service Fund voted for 1870-71, was exhausted, when in fact there remained thereof unexpended, over \$50,000.

(5) A considerable part of this balance, which should have been written off, was spent in subsequent years.

(6) No entry of the existence, or of any subsequent actual expenditure of this balance was even made in the Public Accounts, and its existence and the dealings therewith would have remained unknown but for the events which have led to the present enquiry.

(7) No account of the sums spent for Secret Service was kept, after the resolution of the 29th May, 1872, which expressly stated that such an account should be kept for the purpose of a confidential audit.

It has been suggested that this resolution does not apply to moneys spent subsequent to its date in discharge of prior claims, but the Committee cannot concur in this view. The clear and conclusive language of the resolution embraces all sums spent subsequent to its date.

(8) The sum of \$8,398.83 of the public moneys of Canada was, without the authority of Parliament, appropriated to, and expended for Secret Service.

(9.) Two sums, amounting in the aggregate to \$15,584, were drawn from the Secret Service Special Account and applied to other unauthorized purposes, though subsequently made good to the fund.

(10) The out-going Ministers did not inform their successors of the balance to the credit of the Sub-Committee of Council or deal with them in respect thereof.

(11.) Over two years after his resignation, when another person was filling the office of Minister of Justice, and after Sir John A. Macdonald had ceased to have any legal or constitutional control over the fund, for the disbursement of which his successors were responsible, he drew therefrom the sum of \$6,600 before mentioned.

The Committee are of opinion as follows:—

(1.) That the course pursued, and hereinbefore specified with regard to the Secret Service moneys, was highly irregular and a breach of the duty of those concerned therein.

(2.) That steps should be taken for the recovery into the public chest of the said sum of \$6,600.

(3.) That no accounts having been kept, and the cheques or papers having been

lost or destroyed, a satisfactory audit of the Secret Service expenditure has been rendered impossible.

(4.) That it was the duty of the Auditor General to have informed the new Ministers of the fact that there was a balance at the credit of the Sub-Committee of Council, and to have obtained the authority of the Ministers before giving Mr. Drummond the directions about the disposal of the money contained in his letter of November 4th, 1875.

(5.) That, in case Secret Service moneys should at any time hereafter be voted by Parliament, it would be proper to provide further statutory safeguards against abuses in the application thereof.

All which is respectfully submitted.

JAMES YOUNG,

Chairman.

MINUTES OF EVIDENCE.

EXPENDITURE OF SECRET SERVICE FUNDS.

RAILWAY COMMITTEE ROOM,
OTTAWA, Saturday, 17th March, 1877.

Committee met—Mr. YOUNG in the chair.

ANDREW DRUMMOND, Esq., Manager of the Ottawa Branch of the Bank of Montreal, being in attendance submitted the following letter and statements :

(1.)

BANK OF MONTREAL,
OTTAWA, 16th March, 1877.

SIR,—In conformity with the request of the Committee on Public Accounts, conveyed through you in your letter of yesterday, I have the honour to submit here-with statements of the amounts for Secret Service purposes deposited in, and the disbursements made through this Branch, from August, 1866, until closed on 12th November, 1875.

A statement of the accounts, accompanied by all the vouchers, was rendered on 5th March, 1873, to Sir John A. Macdonald, at his request, and again about August of same year, there are consequently no cheques in the possession of the Bank connected with the transactions, excepting for the closing of the accounts.

I remain,

Your obedient servant,

(Signed) ANDREW DRUMMOND,
Manager.

EDWARD P. HARTNEY, Esq.,

Clerk of Committee, House of Commons.

(2.)

No. 1, SPECIAL ACCOUNT.

BANK OF MONTREAL in Account with Sir J. A. Macdonald *et alia* John A. Macdonald,
Dr. G. E. Cartier, Wm. McDougall, A. T. Galt and Sir F. Hincks. CR.

		\$ cts.	1866.	\$ cts.
1866.			Aug. 7 By Cheque.....	38,000 00
Aug. 7	To deposit.....	50,000 00	do 7	500 00
			Sept. 19	500 00
1870.			Oct. 1	200 00
July 6	Warrant 51.....	30,000 00	Nov. 9	500 00
Dec. 9	do 1902.....	10,000 00	do 14	200 00
1871.			1867.	
Feb. 11	Deposit.....	15,584 00	Jan. 12	50 00
July 3	Warrant 15.....	35,000 00	do 12	100 00
			do 12	1,001 17
			May 9	50 00
			June 6	500 00
			July 27	70 00
			1869.	
			Oct. 18	1,130 29
			do 20	1,000 00
			1870.	
			Jan. 14	1,000 00
			Mar. 10	1,000 00
			do 23	200 00
			May 19	500 00
			do 19	1,900 00
			do 19	300 00
			June 27	400 00
			do 27	2,500 00
			do 27	150 00
			July 2	2,600 00
			do 4	1,050 00
			do 6	21,834 00
			Aug. 30	25 20
			Sept. 19	230 00
			Oct. 18	2,500 00
			do 18	600 00
			Dec. 5	2,960 00
			do 5	500 00
			1871.	
			Jan. 21	749 30
			Feb. 11	4,600 00
			Mar. 6	180 00
			June 5	250 00
			Sept. 11	425 00
			Dec. 27	1,000 00
			1872.	
			Jan. 23	2, 00 00
			Mar. 12	50 00
			Oct. 17	10,000 00
			1873.	
			June 27	5,000 00
			1875.	
			Nov. 12	6,600 00
			do 12	25,579 04
		140,584 00		140,584 00

(Signed)

ANDREW DRUMMOND,

Manager.

BANK OF MONTREAL,
OTTAWA, March 16th, 1877.

(3.)

No. 2, SPECIAL ACCOUNT.

BANK OF MONTREAL in account with Minister of Justice *et al.* (J. A. Macdonald, Attorney-General; John Rose, Finance Minister; G. E. Cartier, Minister of Dr. Militia; and W. P. Howland, Minister of Inland Revenue.) CR

1868.		\$ cts.	1868.		\$ cts.
June 6.....	Deposit	50,000 00	June 10.....	Cheque No. 1.....	4,000 00
			do 12.....	do 3.....	100 00
			do 13.....	do 2.....	15,000 00
			do 29.....	do 4.....	2,891 41
			July 7.....	do 5.....	600 00
			Aug. 27.....	do 6.....	2,000 00
			Oct. 10.....	do 7.....	1,518 00
			Nov. 2.....	do 8.....	202 50
			do 9.....	do 9.....	1,072 00
			Dec. 28.....	do 10.....	980 38
			1869.		
			Feb. 8.....	do 11.....	681 00
			March 16.....	do 12.....	4,000 00
			April 12.....	do 13.....	4,000 00
			May 14.....	do 14.....	3,575 00
			do 26.....	do 15.....	5,500 00
			Aug. 18.....	do 16.....	2,000 00
			Oct. 18.....	do 17.....	1,809 71
				do 18.....	70 00
		50,000 00			50,000 00

(Signed)

A. DRUMMOND,
Manager.

BANK OF MONTREAL,
OTTAWA, 16th March, 1877.

Mr. LANGTON, Auditor-General, who was also in attendance then submitted the following statement:—

(4.)

SECRET SERVICE.

1868---JUNE 5.

	\$ cts.
A Warrant issued on the Certificate 1, on the sheet A, in accordance with the O. C marked I, for.....	50,000 00
An Entry Warrant marked B was issued in accordance with which the expenditure which had taken place was charged in the Public Accounts, 1868, I, p. 153, under the head Miscellaneous	15,086 41

And the balance was entered in the Public Accounts, I, p. 11, in a special account.....	34,913 59
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1869.

An Entry Warrant, on the Certificate 1, on the Sheet marked C, was issued, adding the unexpended balance, before Confederation, to the special account.....	8,398 88
	43,312 42

The vote for the year 1869, of \$75,000, was written off, an <i>Entry Warrant</i> on the Certificate 2, on Sheet C, was issued in accordance with which the expenditure of the year was entered in Miscellaneous, P. A., I, p. 189	33,103 88
And the balance appears, P. A., I, p. 6.....	10,208 54

1870.

An *Entry Warrant*, on Certificate 2, Sheet C, was issued in accordance with which the whole balance was entered as expended, P. A., I, p. 229..

1871.

Voted in the Estimates for 1870-71.....	75,000 00
A <i>Warrant</i> was issued on Certificate 2, of Sheet A, in accordance with O. C., marked II.....	30,000 00
A <i>Warrant</i> , on Certificate 3, was issued in accordance with O. C., marked III.....	10,000 00
A <i>Warrant</i> , on Certificate 4, was issued in accordance with O. C., marked IV.....	35,000 00
	75,000 00

A.—WARRANTS.

1.—JUNE 5, 1868.

I certify that a warrant may issue in favour of the Receiver-General for \$50,000, in accordance with Order in Council, June 5.

(Signed)

JOHN LANGTON.

2.—JULY 4, 1870.

Certified,—That a warrant for \$30,000 may issue in favor of the Bank of Montreal, on account of Secret Service, to place to special account.

(Signed)

JOHN LANGTON,
Estimates, 70-71.

3.—DECEMBER 7th, 1870.

Certified,—That a warrant may issue in favor of A. Drummond, Manager of the Bank of Montreal, for \$10,000, charged to Miscellaneous—Secret Service. Order in Council, 6th December, 1870.

(Signed)

JOHN LANGTON.

4.—JUNE 30, 1871.

Certified,—That a warrant may issue in favor of A. Drummond, Manager of the Bank of Montreal, for \$35,000. Charge to Miscellaneous—Secret Service. Estimates, 70-71.

(Signed)

JOHN LANGTON.

B.

Transfer.

ENTRY WARRANTS

BY HIS EXCELLENCY THE RIGHT HONOURABLE SIR JOHN YOUNG,
 G. C. B., G. C. M. G., ONE OF HER MAJESTY'S MOST HONORABLE
 PRIVY COUNCIL, GOVERNOR-GENERAL OF CANADA, &c., &c., &c.

To the Honorable the Receiver-General of Canada.

You are hereby authorized and required to place the sum of thirty-four thousand nine hundred and thirteen dollars and fifty-nine cents to the credit of Secret Service of the year 1867-1868, and debiting a new Account to be called "Special Deposit for Secret Service," that being the amount of Secret Service Money unexpended, 30th June, 1868.

No. 10. \$34,913.59. Entered. (Signed) W. DICKINSON.

And for so doing this shall be to you a sufficient warrant and discharge.
 Ottawa, this 1st day of April, 1869.

(Signed) W. H. LEE,
Deputy Governor.

In accordance with this warrant a special deposit was opened for Secret Service, *vide* Public Accounts, page 1, ii, and the balance of \$15,086.41 was charged in Miscellaneous, Public Accounts i, page 153.

C.

ENTRY WARRANTS.

1.

October 18, 1869. Certified that a transfer entry warrant may issue charging "Special Deposit Secret Service," and crediting "Services of 1868" with \$8,398.83, being the balance unexpended in the year 1866-7.

(Signed) JOHN LANGTON.

2.

October 18, 1869. Also an entry warrant charging "Miscellaneous" and crediting "Special Deposit Secret Service" with \$33,103.88, being the amount expended in the year 1868-9.

(Signed) JOHN LANGTON,
Auditor.

3.

January 20, 1871. Certified that an entry warrant is required in connexion with the accounts of 1869-70 to authorize charging "Miscellaneous" for Detective and Secret Service, and crediting "Special Deposit Secret Service," the balance of appropriation granted by Act 31 Vic., Cap. 31, Schedule A, expended during fiscal year 1869-70, amounting to \$10,208.54.

(Signed) JOHN LANGTON,
Auditor.

After which Mr. LANGTON was called and examined :—

By Mr. Charlton :—

1. What amount of Secret Service money was brought over from the fund which existed prior to Confederation ?—The sum of \$8,398.83 was brought forward as the unexpended balance before Confederation.

2. Were the unexpended balances surrendered at the end of each fiscal year ?—In 1868-9 and in 1870 the Secret Service expenditure for the year is shewn in the Public Accounts ; that is to say, with reference to the vote of \$50,000, which was charged as a special account in 1868. The entry warrant at the end of the year shews that out of this vote were taken \$15,086.41, and the balance remaining is shewn in the Public Accounts, as I have already stated. In the next year the entry warrant shews that \$33,103.88 were spent, and the balance remaining over is shewn in the Public Accounts. Afterwards, in 1870-1, a different system was adopted ; the vote was charged as paid and no balance appeared in the Public Accounts. That was the system that prevailed before Confederation.

3. Was the unexpended balance which remained over after the Administration of the late Government came to a close handed over to their successors ?—It was left in the bank. I do not know whether any action was taken about it.

4. How were the payments made ?—By virtue of an Order in Council passed before Confederation ?—They were made on Orders in Council.

5. In accordance with entries in the Public Accounts ?—Yes.

By Mr. Blake :—

6. You stated that the balance remaining over from the year 1866 was transferred to a special account of the Secret Service Fund. In what year was this done ?—It was in 1868-9 that the transfer first came into the Public Accounts.

7. Do you mean the fiscal year 1868-9, or the year 1869 in ordinary parlance ?—It was the fiscal year 1868-9.

8. You are not able to say at what precise period of the year this transfer was made ?—I cannot.

9. But you can supply that information ?—Yes.

10. Before that vote appears to have been expended it was kept as a separate account ? Are you aware of the fact that it was kept separate from any other account ?—Yes.

12. It was kept separate from the Secret Service Account ?—It was a special account. By an Order in Council it was made a special account in the name of the Receiver-General, subject to the cheques of the Ministers of Justice, Militia, Finance and Inland Revenue.

13. I am speaking of the particular vote of \$50,000 which first passed through the Secret Service Fund. It seems that in the Bank of Montreal this account, with reference to the vote of 1867-68 was kept as a separate account ?—I have no doubt that it was kept as a separate account, and I think that it was quite correct to treat it on a different principle than it was treated in the Public Accounts.

14. Why ?—Because year after year there was an entry-warrant to show how much had been spent and how much remained. This had nothing whatever to do with the previous year, and nothing whatever with the subsequent one.

15. Then the principle of dealing with the Secret Service money, applied to the vote of 1868, differed from that which was previously applied and subsequently applied to this fund ? What was the reason made in dealing with the fund ?—The vote of 1867 was paid over to Andrew Drummond, Manager of the Bank of Montreal in Ottawa, and the other vote was paid over to the Receiver-General's special account in the Bank of Montreal.

16. We will now discuss the vote of 1868 ?—In 1868 the vote was paid over to the special account of the Receiver-General in the Bank of Montreal, and the Bank treated it differently from the manner in which it had treated the vote of the previous year, which was paid over merely to the Manager of the Bank of Montreal.

17. The account is headed "The Bank of Montreal in Account with the Minister of Justice and others," and, in brackets, appear the names of Sir John A. Macdonald, Minister of Justice; Sir Geo. E. Cartier, Minister of Militia; Sir John Rose, Minister of Finance, and Hon. W. P. Howland, Minister of Inland Revenue. I interpret that this was an account with the Ministers?—These Ministers were authorized to give cheques upon it. It was called the special account with the Receiver-General by an Order in Council.

18. The Bank of Montreal seems to have treated it as an account of the four Ministers?—It was separate from their other accounts.

19. The Bank of Montreal treated it as an account with the four Ministers as you understood? as an account with the Minister of Justice, the Minister of Finance, the Minister of Militia and the Minister of Inland Revenue. As I heard your statement, I think you said it was generally closed up by warrant and that you are not aware how the Bank treated the account?—Yes. It was done by warrant. It was the Receiver-General's special account, subject to the cheques of the Ministers.

20. As to the account of the Bank of Montreal with Sir John A. Macdonald *et al.*, including Sir Alexander Galt and Sir Francis Hincks. Were any different instructions given to the Bank from your office or the Receiver-General's office with reference to their case?—I am not aware of any special instructions having been given, but the warrant would distinctly name the Minister on whose authority it was made out, in accordance with the Order in Council.

21. Are these warrants produced among the papers brought down?—I have not the warrants with me, but I have the Orders in Council.

The Orders in Council were then handed in and are as follows:—

(5.)

COPY of a Report of a Committee of the Honourable the Privy Council, approved by His Excellency the Governor General in Council, on the 5th June, 1868.

The Committee of Council respectfully recommend that the sum of fifty thousand dollars be appropriated of the vote for Secret and Detective service for 1868, and that a warrant do issue in favour of the Receiver-General with directions to place the same on special account with the Bank of Montreal, in the names of the Minister of Justice, the Minister of Militia, the Minister of Finance, and the Minister of Internal Revenue, whose certificate that the same or any part thereof has been disbursed for the service of the country shall be a sufficient discharge and voucher for the payment of the same.

Certified.

(Signed)

W. A. HIMSWORTH,
Clerk, Privy Council.

—
(6.)

COPY of a Report of a Committee of the Honourable the Privy Council, approved by His Excellency the Governor General in Council, on the 1st July, 1870.

The Committee of Council respectfully recommend that the sum of thirty thousand dollars be appropriated of the vote for secret service for 1870-71, and that a warrant do issue in favour of A. Drummond, Esq., Manager of the Ottawa Branch of the Bank of Montreal, with directions to place the same on special account with the Bank of Montreal in the names of the Minister of Justice, the Minister of Militia, the Minister of Finance and the Minister of Inland Revenue, whose certificate that the same or any part thereof has been disbursed for the service of the country shall be a sufficient discharge and voucher for the payment for the same.

Certified.

(Signed)

W. A. HIMSWORTH,
Clerk, Privy Council.

(7.)

COPY of a Report of a Committee of the Honourable the Privy Council, approved by His Excellency the Governor General in Council, on the 6th December, 1870.

The Committee of Council respectfully recommend that a further sum of ten thousand dollars be appropriated of the vote for secret service for 1870-71, and that a warrant do issue in favour of A. Drummond, Esq., Manager of the Ottawa Branch of the Bank of Montreal, with directions to place the same on special account with the Bank of Montreal in the names of the Minister of Justice, the Minister of Finance, and the Minister of Inland Revenue, whose certificate that the same, or any part thereof, has been disbursed for the service of the country, shall be a sufficient discharge and voucher for the payment of the same.

Certified.

(Signed) W. A. HIMSWORTH,
Clerk, Privy Council.

(8.)

COPY of a Report of a Committee of the Honourable the Privy Council, approved by His Excellency, the Governor General in Council, on the 27th June, 1871.

On a memorandum dated 26th June, 1871, from the Hon. the Minister of Justice reporting that it appears from the certificate of the Auditor that there remains unexpended of the vote for Secret Service the sum of \$35,000. That as there was no vote taken for Secret Service last session, and inasmuch as there is sufficient evidence that the public interests may require that the unexpended balance should be used, he recommends that the same be carried to the credit of the Sub-Committee of Council on Secret Service matters.

The Committee submit the above recommendation for Your Excellency's approval.

Certified.

(Signed) W. A. HIMSWORTH,
Clerk, Privy Council.

(9.)

The undersigned has the honour to report that it appears from the certificate of the Auditor, that there remains unexpended of the vote for Secret Service the sum of thirty-five thousand dollars.

As there was no vote taken for Secret Service last session, and inasmuch as there is sufficient evidence to show that the public interests may require that the unexpended balance should be used, the undersigned recommends that the same be carried to the credit of the Sub-Committee of Council on Secret Service matters.

(Signed) JOHN A. MACDONALD.

June 26th, 1871.

Mr. Blake:—

I think the Committee would like to have the warrants or copies of them.

Witness—The first warrant by me certified is as follows:—"I certify that a warrant may issue in favour of the Receiver-General for \$50,000, in accordance with the Order in Council." This is dated June 5th. Of course, the warrant was then drawn in favour of the Receiver-General's special account. The next warrant is as follows:—"I certify that a warrant for \$30,000 may issue in favour of the Bank of Montreal's account for Secret Service"—this being a special account. There was that difference in the two warrants and it was natural enough that the Bank of Montreal should treat it differently in their accounts.

22. How came the difference in the wording of the warrants; why was the wording made different?—Because the Order in Council stated that the sums were to be paid to Mr. Drummond and not to the Receiver General. The form was—“That a warrant do issue in favour of A. Drummond, Manager of the Ottawa Branch of the Bank of Montreal.”

23. Which order is that?—That was for the order for the \$30,000.

24. What is the date, pray?—The first warrant related to the second appropriation; and the one I have read was the warrant issued in favour of A. Drummond, Esq., Manager.

25. What is the date?—1st July, 1870. The next warrant was drawn in favour of A. Drummond, Esq., Manager of Bank of Montreal.

26. What is the amount?—\$10,000.

27. And the date?—December, 1870.

28. The subsequent warrants were all alike?—No doubt they were, but the Order in Council is rather different. It recognized the carrying out of the sum to the credit of the Sub-Committee on Secret Service moneys. I will see how the warrant is drawn.

29. Have we transcripts of the other warrants?—My certificate is the same in all cases. The first one with reference to the \$75,000 vote is one drawn in July, 1870, certifying a warrant for \$30,000 in favour of the Bank of Montreal on account. The second certifies that a warrant may issue in favor of A. Drummond, Manager of the Bank of Montreal, as is also the third. But previous warrants were certified in favour of the Receiver-General, and it was kept as a special account.

30. It is stated in the account of the Bank of Montreal brought forward, that in 1868, when the warrants were dealt with differently, the account was closed, but the expenditure runs from June 10th, 1868, to October 18th, 1869, outrunning therefore that financial year, as I understood it?—Yes.

31. That money was voted for the fiscal year; which fiscal year was it?—The \$50,000 was voted in 1868.

32. For the service of what year?—For 1868.

33. The fiscal year 1867-8, or 1868-9?—For the fiscal year 1867-8.

By Mr. T. N. Gibbs:—

34. This vote was passed in 1868. It was not for 1867-8, but for 1868-9.
Witness. It was passed 5th June, 1868.

By Mr. Blake:—

35. For what year was the appropriation made?—According to the vote it was made for the year 1867-8.

36. The appropriation was for the financial year 1867-8, but the Order in Council in reference to it issued within a few days of the expiration of that year. This was on the 6th of June, and the financial year expired on the 30th of that month. The expenditure for that financial year seems to be included in four cheques made out in June, and amounting to about \$21,000. The whole of the residue expenditure seems to have taken place in the financial year 1868-9?—The sum of \$15,000 was spent in 1867-8

37. Only \$15,000?—Yes.

38. The cheques on the Bank of Montreal show the following payments in June, 1868: 10th, \$4,000; 12th, \$100; 13th, \$15,000, and 29th, \$2,891.41. The account is continued through July, August, September, October, November (1868), February, March, April, May, August and October, 1869. Of two cheques in October—one of the 7th is apparently a cheque drawn for the balance of the amount on deposit, making the \$50,000. The question is, how much of the expenditure on this account took place during the financial year for which the sum was voted?—We had no possibility of knowing when they issued cheques or paid them, but we were informed that this amount of \$15,086.41 was charged to that year, and accordingly it was entered in the Public Accounts.

39. You had no information of the amounts actually chequed out; but you were informed that \$15,086.41 had been chequed out and had been applied?—Yes.

40. Who gave you that information?—I did not receive any written information; it was verbal. It may be as well to inform the Committee that not only formerly, but now as well, too many verbal instructions were, and are, given, throwing too much responsibility on officers of the Departments.

41. I did not ask whether your instructions were verbal or in writing; but who gave you those instructions?—I have no record of it, but I was informed that it was to be charged for that year.

42. Who gave you the information?—I cannot trust my memory on that point. I do not find any written record of it.

43. You cannot tell or recollect, and your search fails to disclose any written voucher or authority for that entry?—Yes.

44. Was there any authority for it on your own part, or on the part of the Deputy Receiver-General?—Yes. There was authority for it on my part.

45. But your own authority is the only official authority on record?—Yes.

46. And that was based on some verbal instruction conveyed by somebody, you know not whom?—Yes. The whole amount was charged in our books. The \$50,000 was charged to a special account, and the entry warrant was passed on my signature. A balance was left in the special account, and it was carried over into the Public Accounts.

47. What was the entry warrant; it seems that \$15,000 was charged, does it not?—When the Receiver-General was in Europe, I was authorized and required to place the sum of \$34,913.59 to the credit of the Secret Service Fund for the year 1867-8, and debit the new account with the special deposit for Secret Service, that being the amount unexpended on the 30th June, 1868.

48. Then you were authorized to open a fresh account?—Yes.

49. That was a different system from that previously pursued?—Yes; but the whole amount of money was charged and we never heard anything else about it.

50. It was charged as if spent; no information was, in previous years, conveyed to you until the close of the year, as to how much had been spent, but, under the different system introduced in this year of Grace, you were told so much had been spent and that appeared in the Public Accounts?—Yes.

52. Was that the course pursued in carrying forward unexpended balances?—The \$34,000 was treated as an unexpended balance. The present rule of unexpended balances lapsing is more modern. A great number of old balances used to be carried forward. They had been absolutely taken out of cash.

52. The rule of unexpended balances lapsing was adopted subsequent to 1868? Yes.

53. Was it not adopted during the existence of the old Province of Canada?—I think not.

54. I think the law is of earlier date?—I know it was adopted upon a special report of mine that it was very desirable that it should be introduced. When I first entered the office, balances were carried forward continuously for half a dozen years.

55. I know that, but I think it has been reformed?—It was altered on my report.

56. Is it not the fact that anterior to Confederation the general system of balances lapsing was adopted by law?—I suppose that was the case, but it was not the practice.

57. Then you regarded this as a special case, and it was carried to a special account; but, notwithstanding this fact, you issued a warrant authorizing it to be regarded as an unexpended balance to be carried forward?—Suppose they had asked for \$20,000 for one year, during the next year any balance existing would be considered as lapsed, and if I was then asked for money from that vote I would say “the balance has lapsed.” But instead of following that course they took the whole of the money and put it into a special account. As far as our books were concerned this money was absolutely spent.

58. But it was brought back again?—No; the whole \$50,000 was entered, but

charged to the Receiver-General's special account; and at the end of the year I received information that the balance of the account in the Receiver-General's hands was only \$34,000, because \$15,000 had been spent.

59. You kept on entering in the Public Accounts subsequent expenditures of this money?—Certainly.

60. From year to year?—Certainly.

61. The charges could not be made more than once?—The money was paid over to the special account of the Receiver-General, and against it these items were charged.

62. Then you say that this system was altered later?—The last vote in 1870-1 was paid over to the Bank of Montreal on an Order in Council.

63. That was the only vote regarding which the variation took place with respect to the Order in Council?—That was all that was paid on Orders in Council.

64. I observe that on the 11th February, 1871, \$15,584 is said to have been deposited, the warrants of which you have given us communication are drawn for \$30,000, \$10,000 and \$35,000, making in all \$75,000; but on the 11th February, 1871, I find the additional item of \$15,584 deposited to the credit of the special account No. 1?—I knew nothing at all about it until I saw it in the statement produced this morning.

65. You did not know anything at all about that deposit?—Nothing whatever.

66. And you can give no explanation about it?—None whatever.

67. It did not come from the Treasury at that time?—We had nothing at all to do with it. I was in perfect ignorance of it until this morning.

68. But you saw this morning this deposit mentioned under date of February 11th, 1871. I want to know whether it came from the Treasury?—It did not. Only three payments were made from the Treasury, and the amounts were \$30,000, \$10,000 and \$35,000.

69. When were you first made aware of the fact that there was an unexpended balance after the late Administration had resigned?—Just before the late Administration resigned Sir John Macdonald spoke to me about the balance, and proposed to pay it in at once. I did not hear of it again until some time afterwards.

70. Just before the late Administration resigned Sir John Macdonald informed you that there was such a balance?—He said there was a balance, and asked what was the best way of dealing with it. I told him I thought the best way would be to pay to the account of the Receiver-General whatever balance there was, and I understood him to say that he would do so.

71. That was the first intimation you had of the existence of an unexpended balance?—I had no possible means of knowing it otherwise.

72. What was the next intimation you received on this subject?—That was nearly a couple of years afterwards. Sir John Macdonald told me then that he had not paid in the balance, and I recommended him at the time to do so.

73. The next intimation you had from Sir John Macdonald on this subject was about the time when the account was closed?—Yes. He then intimated that he had not yet paid it in.

74. Of course you knew it then and you recommended him again to pay it in?—Yes.

75. At that time was any statement made to you as to any portion of that balance?—My recollection is that Sir John Macdonald assigned as his reason for the delay that a claim was made upon it which he could not get settled as he had wished to do before he resigned. This claim, he said, had hung on and hung on, and it was only then that he had been able to square it up.

76. Was there one claim, or more than one claim?—I do not know whether he said that there was one or more than one.

77. There was either one, or more than one claim which he was unable to settle—you do not remember which?—I do not remember. He said that this was the cause of this delay.

78. Did anything more pass as to the nature of this unsettled claim, or of these unsettled claims?—I do not think so. I cannot recollect that anything else passed.

79. It seems by the account that two cheques were drawn, or two documents any rate bearing the same date—one for \$6,600, the other for \$25,579.04, the latter being the balance paid into the hands of the Receiver-General. Did anything pass with regard to this unsettled claim between you and Sir John Macdonald?—No. I really cannot trust my memory on the point.

80. It was an unsettled claim which he intimated he proposed to settle out of this money?—Yes. I distinctly recollect that.

81. The cause of the delay was that he had never been able to close that unsettled claim, but now that he was going to close that claim and deposit the balance, did he tell you the amount?—I have no distinct recollection of it, but I think he did.

82. He said something about the amount and told you he was going to pay the claim and deposit the balance?—Yes.

83. Did you ever see any of the cheques?—Never.

84. Nor do you know the names, or the amounts except from the papers?—None except from the Orders in Council.

85. Under what form was the balance deposited? Was it under a cheque from Sir John Macdonald's, or under your own authority?—I think I made the deposit. I dare say Mr. Drummond will recollect if the cheque was drawn in his own favour or not.

86. On the same day was there any other cheque drawn for \$6,600?—No.

87. The balance left from this transaction was surrendered into the Consolidated Fund?—Yes. It appears in it under the head of casual revenue.

88. You have said that you could not at the moment say whether \$8,398.83 in the fund of old Canada had been credited to the Province?—I think it must have been included in the unexpended balances, for which they had credit, and if not it certainly ought to have been so included.

89. When was credit given for the unexpended balances?—In the year 1867 in a statement for the Province of old Canada.

90. You did not know of the existing balance of the Secret Service Fund 1867-8, and consequently you could not know that it was credited to the old Province?—I will look into the matter. It is quite clear that if it was not credited to the Province, it ought to have been.

91. That sum, as far as I can judge, seems to have been taken in after the vote of 1868 was expended or appropriated?—It was evidently done when the vote of 1867-8 was running low.

92. That balance was taken over to enlarge the fund at the disposal of the Government?—Yes. That would be then placed to the same account.

93. To what account?—To the Receiver-General's special deposit account.

94. With the Bank of Montreal?—Yes.

95. I suppose it was always deposited there?—In the previous account the money was paid into the Bank of Montreal; and after Confederation a special deposit account was opened with the Receiver-General, when this balance was carried to account.

96. To the \$50,000 account?—Yes.

97. You are quite sure about that?—This is my certificate. An entry warrant was passed certifying that a transfer entry warrant may issue, charging the special deposit for Secret Service and crediting the Secret Service Fund of 1868 with \$8,398.83, the balance unexpended in the year 1866-7.

98. Was there a date to that warrant?—That is the one which has no date.

99. You think that ought to go into the special account of \$50,000 opened 6th June, 1868?—It did go into that account.

100. Will you look into the account as presented and shew us where it is? You know that in our books it was so entered, but I do not know how it was entered in the books of the Bank of Montreal. The expenditure of 1866, up to June will be added up, I have no doubt, come to the same amount—that was the balance then?

101. I understood you to say it was quite correct for the Bank of Montreal

ep two distinct accounts—one for the vote of \$50,000, and the other for the other service, because they were managed under a different system; and I understood you say that under Orders in Council this \$8,398.83 ought to have gone into the account opened for \$50,000. I want you to look at the account and see if this is the case?—I see an entry for \$50,000.

102. It has not gone into that account then?—Yes.

103. This \$50,000 intervenes as a special account, and the \$8,398.83 only appears being charged against the original deposit of \$50,000 in 1866?—Yes.

By Mr. Cartwright :—

104. Look at the entry of \$50,000 for secret and detective service in schedule "A" for the service of 1867-8, and say whether that sum was the first \$50,000?—That is the amount.

105. Then that sum was properly said to be for the service of the year ending June 30th, 1868?—Yes, on the 5th of June of that year it was placed in a special account.

By Mr. Holton :—

106. You have stated that Sir John Macdonald indicated this fact, that there was balance of this account remaining at his credit and in his hands, to you before he resigned?—Yes; it was either just before or just after; it was about that period at my rate.

107. Did you communicate that information to the new Minister of Finance immediately after his assumption of office?—I do not recollect that I did; I do not suppose that I did; I do not recollect saying anything about it.

108. Did you communicate the second intimation you received from Sir John Macdonald about it two years later?—My chief was then in England, I communicated it, however, to Mr. Mackenzie.

109. But about the previous communication, there had been no intimation made to any member of the present Government?—No; I knew nothing about the amount, I think Sir John Macdonald merely asked "what shall I do with this balance," and I said "you had better deposit it." He then stated there were unsettled accounts which he was trying to square up, and that was the last I heard of it.

By Mr. Blain :—

110. Was it during the conversation that passed between you and Sir John A. Macdonald on this subject before he resigned, that you first heard any mention made of this fund?—Without saying anything about the amount, he told me there was a balance. I asked, "what are you going to do with it?" And he replied, that after such unsettled claims as he was trying to close up were arranged he would deposit to the credit of the Receiver-General.

111. This was before he resigned?—It was about that period. I think it was before he resigned.

By Mr. Wood :—

112. On that fact coming to your knowledge, was it not your duty to communicate it to the Minister of Finance?—I had no knowledge of the account and Sir John Macdonald said that he had to arrange an unsettled claim. For all I know he might have had to pay it all away to settle that claim.

By Mr. Kirkpatrick :—

113. Does not a sum equal to the balance of \$8,398.83 appear in the account; Will you take the Bank of Montreal account and add up the expenditure for June and July, 1867, and tell us what the balance is?—That amount does appear, but not in the same way as in our books. It is there, however.

114. This money has been properly expended according to the account?

Question not answered :

115. Will you add it up?—It is the same.

116. To the 1st of July, 1867?—It will make the same amount.

117. Then the account shows that the amount was carried on?—Of course. The only difference is, that it was kept in our books in the other account.

118. Then it was not abstracted but duly accounted for?—Yes.

119. Are there Orders in Council and warrants in existence with regard to this fund since 1867?—Yes.

120. Then Mr. Charlton, who seems to think that these expenditures were made on the authority of an Order in Council of 1866, is in error?—The Order in Council of 1866 provided for the management of the Secret Service Fund by a certain Committee of the Council; and since that Order in Council is referred to on subsequent occasions, and I suppose it meant that the Public Accounts were to be treated in the same manner as if that Order in Council issued each year.

121. I understand that the total amount of moneys expended since Confederation for Secret Service appears to have been \$125,000, plus the balance carried forward some \$8,000. The total amount is \$133,000, less what is refunded?—Yes; less what is refunded.

122. What amount was refunded?—\$25,579.04.

By Mr. T. N. Gibbs:—

123. The total amount expended since the first of July, 1867, on Secret Service account was \$107,019. 19. Is that correct?—I was not attending to the question.

124. After the issue of these warrants you ceased to have anything to do with it?—I had nothing further to do with the matter. It was entered in the Public Accounts as so much money paid.

125. You did not know anything about the unexpended balance?—No.

By Mr. Blain:—

126. Can you tell me whether the Order in Council authorizing this Committee to deal with that fund, authorized its members to deal with it jointly or separately, or had the power of chequing out?—The Order in Council is there. The last Order in Council was rather different from the others, because the Minister of Militia was in England at the time.

127. Does it appear from any source how the money was chequed out?

Mr. Blake: Mr. Drummond is here. He will tell us presently.

By Mr. Kirkpatrick:—

128. Do you know whether any considerable sum of this money was sent to Judge Coursol?—I do not know anything at all about that—absolutely nothing.

By Mr. Charlton:—

129. I wish to establish an entry with reference to the vote of \$75,000. I stated that it appeared from the entries in the Public Accounts that these appropriations were made by virtue of the Order in Council of 1866. This is the entry:—"For the amounts of appropriation for Secret Service, approved by His Excellency the Governor General in accordance with the Order in Council dated August 7th, 1866, for \$75,000." That is the form in which all these entries are made?—If that was supposed to mean that the money was paid on virtue of that Order in Council, the Public Accounts are altogether wrong. I have no doubt as to what was meant. This was Secret Service money to be managed in the way decided upon by that Order in Council. But individual payments were made on separate Orders in Council.

By Mr. T. N. Gibbs:—

130. And which manner the bank account will show?—No answer was made to this enquiry.

Mr. DRUMMOND, Manager of the Ottawa Branch of the Bank of Montreal, was then called and examined :—

By Mr. Blake :—

131. Mr. Drummond, you have sent to the Committee two accounts, in conformity with the order of the Committee. May I ask are these transcripts from the books of the bank?—They are transcripts from the books.

132. They represent the account as it is in the books?—Yes.

133. Another paper seems to indicate that the item of February 11th, 1871, was deposited in two sums?—Yes. I may say in explanation of this entry that the statement referred to by you—(This was objected to by Mr. Kirkpatrick on the ground that the statement was not filed and the answer was not finished).

By Mr. Blake :—

134. Is that entry correct; Was the deposit all made on the 11th February?—It was all made as it stands—on the 11th of February.

135. It was all made on the 11th February?—It was all made on the 11th of February.

136. As it appears there?—As it appears here.

137. Would you look at that paper?—I see it.

138. In whose handwriting is it made out?—In the Accountant's handwriting.

139. In whose handwriting is the other paper made out?—In my own. This is the one filed to-day.

140. But that paper was prepared by the Accountant?—It was prepared by the Accountant.

141. It shows the item of the 11th of February—how?—In two sums—\$3,784 and \$11,800.

142. Under what dates?—February 11th and July 15th.

143. How does that happen?—Allow me to explain. On the 11th of February I was directed by Sir Francis Hincks to deposit that amount to the Secret Service Fund and charge it to himself. In the Secret Service Fund reference is made to Sir Francis Hincks' special account, and when drawing this paper up, the Accountant, finding that this was covered by two sums, he supposed these two sums were referred to and put them in the account. In copying the account myself, I found that the \$15,584 was a sum put to the Secret Service account on that date.

144. Is this paper a correct transcript of your books?—It is, Sir.

145. And the other is not?—The Accountant simply took the two items referring to the Special Account and put them here.

146. The other is not a correct transcript?—It is not; but it embodies the two sums covered by the sum of \$15,584.

147. Is there any information on the subject of any of the sums mentioned in that account which has been placed before the Committee, in your possession?—No, Sir.

148. You say there is no other information you can give on that subject?—None.

149. Why was this sum divided up into two sums?—It was covered by it.

150. How did the accountant come to divide it up?—It was covered in our books by these two sums.

151. Then there is an entry in two sums in the books?—Yes—in another account; the special account of Sir Francis Hincks.

152. Then there is another account connected with the Secret Service Fund in the books of the bank?—It was charged to Sir Francis Hincks.

153. There is a special account taken up with Secret Service money?—No, Sir.

154. What connection has it with the Secret Service Fund?—My impression now is that Sir Francis Hincks wished to refund some sums which had not been expended.

155. Were they refunded in one sum?—Yes; and Sir Francis Hincks' account is afterwards covered by these two sums.

156. These two sums were the sums received?—He received them afterwards. He directed the amount to be charged against himself and credited to the Fund.

157. His first direction was to credit the Secret Service Fund with this \$15,584 and to charge him with it?—Yes.

158. And then he was reimbursed by these two sums drawn from it?—I cannot say just now; I think there are warrants for them.

159. Were they drawn from the Secret Service Fund?—No. This exhibit which I have rendered to-day shows precisely the statement contained in our books.

160. Then, as I understand it, the Secret Service Fund was added to by this \$15,584, which, in the first instance, was charged to Sir Francis Hincks' private account with you?—Yes.

161. And in respect of which charge he was subsequently reimbursed by two cheques, drawn for an amount corresponding to that sum—the dates and sums being February 11th, \$3,784, and July 15th, \$11,800?—Quite so, Sir.

162. Were there warrants for these two sums?—I think so.

163. That would apparently represent the augmentation of the Secret Service Fund by the aggregate of these two sums?—It does so.

164. But from what public service that \$15,584 came you cannot tell?—I think there were warrants for it. The warrants are public, of course, and they will show that.

165. Were accounts rendered from time to time with reference to this special account?—Yes; on several occasions, and a statement of the exhibit of the books and the vouchers were surrendered to Sir John Macdonald.

166. Accounts were rendered on several occasions—at regular intervals?—No. They were rendered just when they were asked for.

167. From time to time?—Yes.

168. Was the account ever closed and the balance carried forward, or did it stand just as it appears here?—It stood just as it appears there. The balance was carried forward in the books after each transaction according to the usual banking fashion. That is the only difference.

169. But you never balanced the account?—No.

170. But from time to time you rendered accounts to the Minister of Justice?—Yes.

171. These accounts, however, were not accompanied by the vouchers?—No.

172. On two occasions, your letter says, you rendered vouchers?—Yes; on the 5th of March, 1873, if my recollection serves me right, and again about August of the same year. There was only one voucher after that.

173. You rendered all the vouchers up to March, 1873?—Yes. I sent all the vouchers to Sir John Macdonald—every voucher and order connected with the matter, and every document that related to it.

174. Was there anything more than the cheques?—Sometimes letters accompanied them for special purposes. I will mention when it was that letters so accompanied them. Sometimes during the summer, Ministers were not here, and only one was sometimes here, and the exigencies of the Service required the issue of a cheque when two signatures could not be obtained. And, under such circumstance, an order sometimes came for the disbursement of money on a single signature, until such time as another could be got.

175. The Government disbursed money on a cheque signed by one Minister, when it was accompanied by a letter stating that it was required for the public Service, and that another signature would be obtained?—Yes.

176. That signature would be subsequently secured?—Yes.

177. Was it the system to replace it by another cheque?—Sometimes it was replaced by another cheque or another Minister signed it. Of course I got a letter to shew that it was requisite.

178. When you speak of other papers these were the accounts or papers you mention?—Yes. The letters were to show my authority for disbursing the money.

179. Were there many such circumstances?—Not very many. They occurred sometimes in summer when only one Minister was in the capital.

180. Does the account show the heading as it is in your books. The heading in one case is "Sir John A. Macdonald *et al.*?"—The memorandum of the original account is in the names of the Ministers referred to.

181. Is this a transcript of the heading?—The first heading "Sir John A. Macdonald *et al.*" was never kept on. It was understood.

182. Here is No. 2 Special Account, which commences in June, 1868, and I find at the head of it, "Bank of Montreal in Account with the Minister of Justice *et al.*" and this, added in brackets, "Sir John Macdonald, Attorney-General; Sir John Rose, Finance Minister; Sir George E. Cartier, Minister of Militia, and Hon. W. P. Howland, Minister of Inland Revenue." Is that the heading?—That was the heading on the first opening of the account. The cheques were signed by any two of these Ministers.

183. That is not the heading of the account in the books?—It was just carried on in the books "Sir John A. Macdonald, Minister of Justice, *et al.*"

184. Is this heading at the opening of the account?—Yes, Sir, that is the heading.

185. The whole of what I have read?—Not the memorandum. This memorandum was put on the side of the account.

186. What is the heading then?—I think it is just "Sir John A. Macdonald, Minister of Justice, *et al.*"

187. What I want to know is nothing else, at this moment, than the heading of the account as it appears in the books, and no further explanation. You will confine your answer to the explanation of what is the heading in the books of this No. 2 Special Account, opened in June, 1868?—My recollection, if it serves me aright, is that the heading is "Sir John A. Macdonald, Minister of Justice, *et al.*" but under that—

188. Is that all?—Under that is placed the names of such members of the Government any two of whom were likely to sign the cheques.

189. The whole of that would be the heading of the account?—I presume so. Allow me to say that it is carried forward in the ledger—

I am speaking of the heading of the opening of the account?—I think it is.

190. You think that the whole of this was the heading of the opening of the account?—Yes.

191. It is not exactly as you state here, "The Bank of Montreal in account with the Minister of Justice, *et al.*" is mentioned here?—Yes.

193. You state that it is the "Minister of Justice, *et al.*?"—I think it is "Sir John A. Macdonald."

194. That is, merely the "Minister of Justice?"—I think it is "Sir John A. Macdonald."

195. Perhaps you will supply us with the exact heading of the account?—I will.

195. Can you speak as to the heading of No. 1 Special Account—the other account—more positively than to No. 2?—I think the heading is "Sir John A. Macdonald, *et al.*"

196. Perhaps you will also supply the precise heading of that account?—I will.

197. I understand, however, that both accounts through the various ledgers have no new headings?—My impression is they have.

198. You have said something about two Ministers signing cheques—was there any written authority on the subject?—I think it was a verbal authority I got.

199. From whom did you receive it?—I think it was from Mr. King himself, the former General Manager of the Bank.

200. He told you to pay the cheques when any two of the Ministers whose names were at the head of the account signed them?—Yes.

201. There was no written authority on the subject?—Not that I am aware of; not that I have any recollection of.

By Mr. Smith (Selkirk) :—

202. Did that not appear along with the names of these gentleman on the signatures of any two of whom money was to be paid?—Of any two of them that is in the heading.

By Mr. Blake :—

203. Is that in the heading of the account?—Yes.

204. Then there is a great deal more there than appears here?—Yes; it is in the memorandum.

205. It will be important to have that memorandum. You will give a transcript of it from the books?—I will try to do so.

206. Was the authority upon which the memorandum was made a verbal direction from Mr. King?—I think so. I have no other recollection about it.

207. I observe that in this No. 1 Special Account there are several names mentioned—"Sir John A. Macdonald, Sir George E. Cartier, Hon. Mr. McDougall, Sir Alexander Galt, Sir Francis Hincks," five names in all?—That was because some succeeded to others who retired.

208. When a Minister who filled one of the offices named was succeeded by another, you put in the name of his successor?—I put in the names in their official capacity.

209. So you knew at any time what two of the four Ministers were entitled to draw money?—Quite so.

210. And, of course, when one of these persons ceased to be a Minister, he ceased to have authority to draw?—Quite so.

211. For example, I observe that Mr. McDougall's name is entered and apparently scored out?—No. A pen was just drawn through it, and it was filled up afterwards.

212. Mr. McDougall would no longer be recognized after he ceased to be a Minister?—I do not think that he ever signed any of the cheques.

213. That is immaterial. Somebody else was to be found instead of Mr. McDougall, and he ceased to be recognized when he was no longer a Minister?—Quite so.

214. Your understanding was that these cheques were to be drawn by those gentlemen who happened to be Ministers filling these offices, or any two of them?—Or any two of them; as I said before, money was sometimes paid out when only one of these Ministers was present in the capital.

215. This was not done unless in case of emergency, and you took the responsibility of paying the money on receiving a letter from one of them?—Yes.

216. You never acted without the signature of one of the Ministers?—No.

217. Or without the signature of one of the Ministers in charge of the fund?—Yes.

218. How did it happen that you acted upon the signature of Sir John A. Macdonald, in 1875, with respect to the payment of the \$6,600, when he was no longer a Minister?—I got instructions from Mr. Langton on the subject.

219. Who told you to recognize Sir John Macdonald's cheque?—Mr. Langton that is my recollection of his letter.

220. It was from a letter was it?—Yes. I cannot find the letter. These were my instructions: He said Sir John Macdonald had satisfied him that there was an unliquidated claim of \$6,600, which I might pay to him and place the balance to the credit of the Receiver-General.

221. You had a letter from Mr. Langton on or about the date of the payment?—I received it on the 4th of November.

222. And the 12th of November is the date of the payment?—Yes.

223. That is, eight days before the payment you received a letter from Mr. Langton, for which you have searched, and which you were unable to find?—Yes.

224. And to the best of your recollection the contents of the letter were tha

Mr John Macdonald had satisfied him that this claim was unliquidated, and that he was entitled to receive that amount; and that the balance of the \$32,000 was to be paid to the Receiver-General: so that it was only on that statement of this officer that you recognized Sir John Macdonald's cheque?—Quite so.

225. Otherwise, you would not have recognized the cheque on the principles you have laid down?—Yes.

226. And that letter is mislaid?—I haven't it, but I daresay Mr. Langton has a copy of it.

227. You have searched for it?—I have searched for it, but I have not found the letter which Mr. Langton wrote me. I find, however, that in a letter written to me on the 23rd of November, I referred to his letter. There was no other transaction in connection with this account since the resignation of the late Ministry. I informed him, I see by my letter, that there had been none from June, 1873, until the 12th of November, when it was closed by his instructions in his letter of the 11th of November.

228. It was upon this authority from the Auditor-General that you recognized Mr John Macdonald's right to draw this money?—Yes.

229. Which right you would not otherwise have thought existed?—No.

230. The Special Account No. 2, as well as the Special Account No. 1 is a transcript from the books?—They are both transcripts.

231. That account was carried straight on until it was closed?—Yes; until closed.

232. No. 2 Account was closed in October, 1869?—It was closed then.

233. No expenditures out of the \$8,395.83, which remained over on the 1st of July, 1867, out of the \$50,000 from the vote of the old Province of Canada, were charged to the Special Account No. 2?—No.

234. As appears from the account itself, all expenditures seem to have been charged against Special Account No. 1?—Yes.

235. As far as you are concerned, you had nothing to do with placing it to credit?—It was always to credit.

236. In point of fact, you continued the old Account of 1866. A sort of new account was opened in 1868-9, and in 1870 you continued the old Account?—Yes.

237. How did you come to continue the old Account instead of carrying on account No. 2?—I think some instructions were given about it. The one was entered under the name of the Minister of Justice and the other was termed the Secret Service Fund.

238. The old Account related to the Ministers of the old Province of Canada and not to Ministers of the Dominion at all?—Of course we have no distinction in our books between before and after Confederation. We had no orders to make any.

239. Meanwhile you speak of the Account of 1866?—It was always going on simultaneously with the other Account. There were two distinct accounts.

240. There is a jump from July 27th, 1867, to 1870. You say both accounts were going on contemporaneously?—Yes.

241. Was any reason given for that course of merely carrying on both accounts? I must have had directions for doing so, but I have no recollection about it just now as to whether they were verbal or otherwise.

242. Did you furnish a statement of the balance remaining at the close of each calendar year?—No, we did not. Of course, we rendered balances whenever they were wanted, but I do not recollect that there was any particular period for doing so.

243. As far as your recollection serves you, it was not at that time that balances were asked for?—No.

244. You rendered, I suppose, the balances of all other accounts?—All these accounts are balanced.

245. Then this account came to the 30th June as well as other accounts?—The balances of other accounts are rendered every month.

246. You have no papers of any description connected with this account?—None.

whatever, except with regard to the closing of the account. I have the cheques passed in that connection.

247. Those you have?—Yes.

248. Have you them here?—I think I have, Sir, cheques handed in and fully marked 10 and 11.

249. Those you now produce are the two cheques which closed the Account. Yes; one is drawn to the credit of the Receiver-General, and the other to the credit of Sir John Macdonald. You will see the endorsements.

By Mr. Macdonald (Centre Toronto) :—

250. You had, I presume, the signatures of each of these Ministers; did you furnish you with their signatures?—I knew them all, Sir.

By Mr. Blake :—

251. You had all the signatures in your book?—I presume they are there, but I had them all, I certainly knew the signatures of them all who drew money.

By Mr. Kirkpatrick :—

252. There is no date to the statement which is in the handwriting of the Accountant of the Bank—when was it furnished?—It was furnished about three weeks ago.

253. You say that Sir John Macdonald had no control over this fund after the resignation of the late Ministry?—No.

254. And you would not have paid the \$6,600 unless you had received the letter from the Government by the Auditor-General authorizing it?—Certainly not.

255. Do I understand that you would not have paid this \$6,600 unless you had the authority of the Government as expressed by the Auditor-General?—No, Sir.

The following is the statement prepared by the Accountant:

(12.)

BANK OF MONTREAL in account with Hon. John A. Macdonald, et al. Cr.

		\$ cts.	1866.		\$ cts.
866. g.	7 Deposit.....	50,000 00	Aug. 7	Cheque.....	38,000 00
				do	500 00
870. y	6 do	30,000 00	Sept. 19	do	500 00
871. y	9 do	10,000 00	Oct. 1	do	200 00
			Nov. 9	do	500 00
			do 14	do	200 00
			1867.		
			Jan. 12	do	50 00
				do	100 00
				do	1,001 17
			May 9	do	50 00
			June 6	do	500 00
			July 27	do	70 00
			1869.		
			Oct. 18	do	1,130 20
			do 20	do	1,000 00
			1870.		
			Jan. 14	do	1,000 00
			March 10	do	1,000 00
			do 23	do	200 00
			May 19	do	500 00
				do	1,900 00
				do	300 00
			June 27	do	400 00
				do	2,500 00
				do	150 00
			July 2	do	2,600 00
			do 4	do	1,050 00
			do 6	do	21,834 00
			Aug. 30	do	25 20
			Sept. 19	do	230 00
			Oct. 18	do	2,500 00
			do 18	do	600 00
			Dec. 5	do	2,960 00
			do 5	do	500 00
			1871.		
			Jan. 21	do	749 30
			Feb. 11	do	4,600 00
			Mar. 6	do	180 00
			June 5	do	250 00
			Sept. 11	do	425 00
			Dec. 27	do	1,000 00
			1872.		
			Jan. 23	do	2,100 00
			Mar. 12	do	50 00
			Oct. 17	do	10,000 00
			1873.		
			June 27	do	5,000 00
			1875.		
			Nov. 12	do	6,600 00
			do 12	Transfer to Receiver-General.....	25,579 04
		140,584 00			140,584 00

Cheques were signed by any two of the following-named Ministers in their official capacity.

JOHN A. MACDONALD,
GEO. E. CARTIER,
W. McDougall,

A. T. GALT,
F. HINCKS.

MR. LANGTON recalled and further examined :—

By Mr. Blake :—

256. You heard the statement of Mr. Drummond just now with reference to the authority under which this charge for \$6,600 was honoured by him. Did you write him a letter on the 4th of November?—I wrote him a letter about that time. I cannot remember the exact wording of it, but I can bring a copy of it.

256 (a). Just state your recollection of it?—I distinctly recollect that I instructed him to make the deposit, but as to paying the \$6,600, I will see about that; I will bring the letter.

Mr. Langton having produced his letter book, was further examined as follows:

By Mr. Blake :—

257. Have you a copy of the letter with you?—Yes.

258. Will you read it?—It is as follows:

(13.)

“ November 4th, 1875.

“ MY DEAR SIR,—I had an interview with Sir John Macdonald before I left Ottawa, in which he explained to me that the balance of Secret Service standing to his name, was \$32,179.04. Of this, \$6,600 is pledged for certain expenses incurred before the resignation of the late Ministry, and he wished the balance to be deposited.

“ Be good enough, therefore, to deposit the \$25,579.04 to the credit of the Receiver-General, and send me a duplicate and triplicate of the deposit.

Your obedient servant,

(Signed)

JOHN LANGTON,

Auditor.

A. DRUMMOND. Esq.

259. What is the date of the letter?—November 4th, 1875.

260. I observe you say “before I left Ottawa.” Had you been absent?—I have been absent in Montreal, and on return I wrote that letter.

261. When did the interview with Sir John Macdonald take place?—A few days earlier.

262. In the meantime I understand you to say you went to Montreal and returned after a short visit, and that to this business the words “before I left Ottawa” alluded?—Yes.

263. This is the only letter authorizing this transaction, if it did authorize it?—Yes.

264. I think you subsequently mentioned this receipt of money to Mr. Mackenzie.—Yes, I did.

265. When?—I think it was somewhere about that time. I can easily see reference to the letter-book.

266. You found by reference to the letter-book, when you had that interview? Yes. On the 23rd of November I wrote to Sir John Macdonald, telling him that we had had an interview with Mr. Mackenzie, to whom I had explained the matter.

267. How long before you wrote the letter did that interview take place?—I cannot say. Almost immediately after the deposit of the money I went to Mr. Mackenzie and told him that we had received a large deposit, and that I must explain the circumstances.

268. Almost immediately after the deposit you went to Mr. Mackenzie and explained the circumstances under which the deposit was received?—Yes.

269. And then Mr. Mackenzie made a certain statement upon which you wrote a letter to Sir John Macdonald on the 23rd of November?—Yes.

270. Have you a copy of that letter?—Here it is.

271. Will you read it? It is as follows:—

(14.)

“ November 23d, 1875.

“ MY DEAR SIR JOHN,—When I mentioned to Mr. Mackenzie the other day he receipt we had had from you on account of Secret Service money, he requested me to call your attention to a resolution of the Committee on Public Accounts, which was submitted to the House, and which you will find at page 173 of the Journals of 1872. I doubt whether there was any expenditure for Secret Service after that date, as I learn from the Bank of Montreal that the present balance had remained untouched for upwards of a year before the resignation of your Ministry. But Mr. Mackenzie intimated that he would expect a statement to be made of the payments made out of the \$6,600 which you withhold as already pledged in accordance with that resolution.

I remain, yours truly,
(Signed)

JOHN LANGTON,
Auditor.

The Hon. SIR J. A. MACDONALD.

272. Did you not get a reply to that letter?—I did, and I sent it to Mr. Mackenzie. This is the letter:—

(15.)

“ TORONTO, November 30th, 1875.

“ MY DEAR LANGTON,—I have yours of the 23rd, which absence from home has prevented me from acknowledging before.

I do not think that the fund at my disposal comes within the resolution you refer to; but I shall wait on Mr. Mackenzie and explain the matter to him on the first opportunity. I would have done so had he been in Ottawa when I was there, but he had gone to the Maritime Provinces.

Yours very truly,
(Signed) JOHN A. MACDONALD.

JOHN LANGTON, Esq.,
&c. &c.

273. Then I understand from these letters, that having written on the 4th of November to Mr. Drummond the letter of that date, and the transaction having been completed by Mr. Drummond, you saw Mr. Mackenzie and informed him of the receipt of this deposit?—Yes.

274. And on that information he made a suggestion to you which resulted in your writing the letter of the 23rd November to Sir John Macdonald?—Exactly so.

275. Was Mr. Mackenzie the first Minister you informed of the matter?—He was the only one I informed of it; my chief was absent at the time.

276. Mr. Mackenzie was the only Minister to whom you communicated it?—Yes.

277. Then the transaction was completed without the intervention of any of the Ministers of the Crown?—Yes.

278. The deposit was received, and the transaction took the shape it did, and when it was done, Mr. Mackenzie and the Government were made aware of it?—Yes.

279. Mr. Drummond says that he was authorized by you to accept Sir John Macdonald's cheque for this money?—I authorized him to accept the cheque to refund it, but I did not say anything about the \$6,600 which had been pledged.

280. Did you intend to authorize him?—I did not say anything about it. I did not conceive it was my business to do so. It was for him to decide how to dispose of it. It appears to me that if the money was pledged, Sir John Macdonald should withhold it, but as to the money which was not pledged, he should have proceeded to have deposited it.

281. I was asking you whether you intended to authorize the cheque of Sir John Macdonald, who was no longer a Minister, on an account, which could only be drawn by Ministers?—It was no business of mine to do so.

282. And you did not intend to take that responsibility on yourself?—No.

By Mr. Kirkpatrick:—

283. You said that Sir John Macdonald told you a few days before the resignation of his Ministry, that this money was there?—He told me that there was a balance of Secret Service money remaining in hand, but I had no idea as to how much it was. He said he had some difficulty about some unsettled claims which he did not know how to deal with.

284. You were satisfied, you also say, that if Sir John Macdonald was liable for the \$6,600, he ought to withhold it?—It is not exactly for me to say whether this should be done or not. I thought it was natural enough that if he had withheld the money all this time because he could not settle the account, that he should still withhold it and deposit what was in no way pledged; but as to the way in which the money was to be paid, that is another matter.

285. You agreed with Sir John Macdonald that he should withhold it?—I agreed that he should deposit what was not pledged.

286. But what was pledged that he should keep?—That was his responsibility.

287. You agree that according to the present custom of keeping the Public Accounts, that it was correct?—I agreed to the deposit of what was not pledged. I had no possible means of knowing what the pledge was; that was his responsibility and his only; but, as I said before, if it had been a matter so deeply pledged that he had kept it for two years, I did not see any great harm in his keeping it for another month or so and making a proper settlement. But the deposit I distinctly authorized.

288. Sir John Macdonald told you what was the exact amount?—Judging from his letter, I presume he did so.

289. You stated in your first examination that he told you the exact amount and made no secret about it?—He consulted with me about it.

By Mr. Goudge:—

290. Did you write or tell Mr. Drummond to pay this \$6,600?—I do not think that I did. There is my letter. I authorized him however, to make the deposit.

291. Mr. Drummond would not have paid it without your authority?—I have no recollection of saying anything at the time. I do not think that I authorized anything to be paid having a doubtful source. My own opinion is that I consulted with some one before it was paid. As to the balance which was not pledged, I thought it should be paid in at once.

RAILWAY COMMITTEE ROOM,

OTTAWA, Tuesday, 20th March, 1877.

Committee met—Mr. YOUNG in the chair.

Mr. DRUMMOND, being called, produced the following transcript:—

Transcript of Heading of Secret Service Accounts.

No. 1.

HON. J. A. MACDONALD, *et al.*

Cheques signed.

J. A. MACDONALD,
G. E. CARTIER,

W. McDougall,
A. T. GALT.

} Official capacity.

No. 2.

MINISTER OF JUSTICE *et al.*

Cheques signed.

J. A. MACDONALD, J. ROSE, —Attorney-General—Finance.
 G. E. CARTIER, W. P. HOWLAND,—Minister Militia —Inland Revenue.

Mr. DRUMMOND was then further examined:

By Mr. Blake :—

292. As these transcripts are now prepared with these marks upon them they are true copies of the headings of the accounts; that marked No. 1. is a true copy of No. 1?—Yes.

293. That marked No. 2 is a true heading of No. 2?—Yes.

The following letter was then handed in:—

(17.)

BANK OF MONTREAL,
 OTTAWA, 3rd November, 1875.

MY DEAR SIR,—The balance of credit of the Special of Sir John A. Macdonald in this Branch is \$32,179.04.

In view of this being closed under the arrangements you may have agreed on with Sir John, please send me such official instructions as to its disposal as may be requisite to authorize me to carry out the same.

Yours very truly,

(Signed) A. DRUMMOND,
Manager.

JOHN LANGTON, Esq.,
 Auditor-General.

294. Would you look at that letter, Mr. Drummond. Is it your letter?—Yes.

295. Was this written on 3rd November, 1875, the day on which it is dated?
 —Yes.

296. Had you any prior communication with anybody on the subject?—Mr. Langton.

297. Verbally?—Yes.

298. How long before?—I think the day previous.

299. Would you state it?—It was merely that Mr. Langton mentioned that he had seen Sir John, and he had satisfactorily explained to him that the \$6,600 was pledged under the late Ministry; and, as I understood, he was entitled to it, and I was to pay the balance to the Receiver-General; but for my own record I asked Mr. Langton for the official letter, that I might retain it.

300. You were verbally requested in the first instance to carry out the thing by a deposit of \$25,000, and to give the other to Sir John Macdonald, and you thought it better, before doing so, to write an official letter in order to have an official response?—Yes.

301. What difficulty presented itself to you which made you think it necessary that there should be an official response?—Only that, that I had all along with Sir John, that in any payments to be made to him under the new Ministry, some official recognition should be given of the amount to be dispensed to him.

302. Then Sir John Macdonald had been applying to you?—Yes; he came on the first Session after his resignation and mentioned that he had some payments yet to

make, and then he wished to close the account. I mentioned to him that I desired that any new payments under the new Ministry should be with the recognition of the new Ministry, and I supposed that he would see Mr. Langton, the Auditor.

303. He came to you at your office?—No; he merely mentioned incidentally that he intended closing the Special Account, but he had some claims that were unsettled at that time which he desired settled, and then he would do it. I then remarked to him that I thought it proper that any payments under the new Ministry should be with their recognition.

304. You would have no objection to depositing the amount to the Receiver-General. The question of difficulty was the depositing it or paying it over without the recommendation of the Ministry?—Yes, sir; and I suggested that he should see the Auditor.

305. To which he assented?—He at once assented.

306. That was during the first Session of the new Parliament?—Yes; the winter of 1873-4.

307. Parliament met in 1874?—Yes; it was some time during the first Session of 1874.

308. Did you hear anything at all more about it until this interview with Mr. Langton, which occurred about the 2nd November, 1875?—Yes; in that winter he called and made some statement, and that he would see Mr. Langton.

309. And did you make the same answer?—Yes; the difficulty arose altogether in him not seeing Mr. Langton, and giving him this official recognition of the payment he proposed to make out of this fund.

310. Then you had two visits from him?—Yes.

311. Was there another?—The next was when Sir John Macdonald had sold his house and had removed to Toronto. I got a private letter from him, an extract from which I submit. I can submit the whole letter if desired. He directed me to transfer the balance of his private account to him at Toronto, and that extract had reference to the special account.

The extract was then put in as follows:—

(18.)

Extract from letter 21st May, 1875, from Sir John A. Macdonald, at Toronto, having reference to Secret Service Fund.

I was in such a hurry in leaving, that I did not see the Auditor, so that the Special Account had better remain as it is till my next visit to Ottawa, which must be ere long.

Yours, &c., &c.,

(Signed)

JOHN A. MACDONALD.

ANDREW DRUMMOND, Esq.,
Montreal Bank.

312. That is an extract from a letter written 21st May, 1875?—Yes.

313. What next took place after the personal communication?—The next that happened was the intimation of Mr. Langton that he had seen Sir John.

314. Did you make any enquiry as to whether any Minister had been consulted on the subject?—No; I presumed the difficulty had been removed.

Mr. Blake then showed witness the following letter:—

(19.)

BANK OF MONTREAL,

OTTAWA, 12th November, 1875.

DEAR SIR,—The Special Secret Service Fund Account has been closed in the manner authorized by your letter of 4th inst., by the accounting to Sir John A. Macdonald for \$6,600, the amount pledged by him as agreed with you, and transfer of the balance, \$25,579.04, to the credit of Receiver General, as per enclosed receipt No. 66.

Yours truly,

(Signed)

A. DRUMMOND,
Manager.

JOHN LANGTON, Esq.,
Auditor-General

315. And this is the enclosure?—Yes, sir.

(20.)

(No. 66.)

[*Duplicate for Department.*]

BANK OF MONTREAL,

OTTAWA, November 12th, 1875.

\$25,579.04.

Received from Right Hon. Sir J. A. Macdonald, on account of balance of Secret Service money, transferred the sum of twenty-five thousand five hundred and seventy-nine dollars and four cents, which amount will appear at the Receiver General's credit with this Bank.

Signed in triplicate.

(Signed)

G. S. ROBERTSON.
*Pro Manager..**By Mr. Workman:—*

316. When the account was opened your instructions were to pay only those cheques which were signed by two Ministers?—Yes; by two or more of the Ministers.

317. Well then, this cheque for \$6,600, as I take it, was not signed by a Minister at all?—It was not, but I had an official recognition, which I considered was equivalent under the circumstances. Sir John Macdonald was the only one left of the original parties named.

By Mr. Goudge:—

318. I observe that it is stated in Mr. Drummond's letter of the 16th March, that a statement of accounts was rendered on the 5th of March, 1873, to Sir John Macdonald at his request, and again about August of the same year, and that Mr. Drummond states that there are consequently no cheques in the possession of the Bank connected with the transactions excepting for the closing of the accounts. I wish to know if there are any entries in the Bank books that would show the names of the parties paid by these cheques?—No; there is no record of the names.

319. Were these cheques paid at the bank in this city?—I could not say as to that. They may have been paid at other branches of the bank and afterwards have come in to us. I believe most of them were paid here.

320. I observe that a number of cheques were paid in March, April and May, 1869. Do you know if any of these cheques came from the Province of Nova Scotia?—No; I do not.

Mr. Blake objected to any question being asked as to the destination of the money.

By Mr. Kirkpatrick:—

321. Have you anything by which you can fix it on your memory that Sir John Macdonald spoke to you about this during the Session of 1874?—Nothing, only that I have a very distinct recollection of its being some time after the resignation and during the Session. I cannot fix the month.

322. Did he come specially on that business; can you remember that? I could not say, because he had his own private account, and he may have consulted me about that. But he came down to our Bank and into my room, and mentioned it.

323. He told you he had some outstanding claims which prevented him from closing the account?—Yes.

324. Then he left here in May, 1875?—Yes; he went to Toronto at that time.

325. That was the time at which he called special attention to the account?—Yes.

326. And the letter of which you have given an extract was written just after he left for Toronto?—Yes; he had sold his house and was settling about his private account, and wished a settlement of the other.

By Mr. Blain:—

327. Did he mention the amount of these disputed claims?—I took it that at that time he did not know himself. He did not mention it at all events.

Mr. LANGTON was then called and stated: A question was asked about that entry-warrant transferring the balance of the old account before Confederation, and in the copy of the certificate which I sent to the Committee there was no date. The reason of this was that there were two warrants for the same day, and my certificate being on the same sheet of paper, of course the date was only at the bottom. Both were passed on the same day.

By Mr. Blake:—

328. What is the date?—The 18th of October, 1869.

329. You produce the original entry warrants?—Yes.

330. Of these, only one is applicable, as I understand it?—Both are. The first certificate “that a transfer entry warrant may issue charging Special Deposit Secret Service, and crediting Services of 1868 with \$8,398.83,” the unexpended balance in the year 1866-67. The other, as I have already stated, was on the same paper, and charges “Miscellaneous,” and credits the Special Deposit with \$33,103.88, the amount expended in the year 1868-69. I only brought these two in order to show how the date was missing.

331. The date of these is October 18th, 1869. I think you were asked to ascertain whether they came into the accounts of the old Provinces?—I stated that I could show that the late Province had credit for it. I have since looked into it and find that the late Province did get credit for it.

332. State where that is to be found. Is it to be found in the Public Accounts?—In the statement of affairs for 1867 it will appear that the banking accounts amounted to (amongst the liabilities) \$3,209,163.85. Included in that were the Crown Lands expense account, \$112,748.63, of which the Provinces agreed to assume their share, so it was left out of the account of the public debt. If you deduct that \$112,748.63 from the total of the banking account it will leave a balance of \$3,096,415.22, which you will see by the accounts of 1868, Part III., page 7, was charged against the Province as part of its debt.

333. As an adverse bank balance?—Yes—charged against the Province as part of its debt. One of the items in the amount charged to them was Service of 1868.

\$50,211.95. That amount consists of several items, some on one side and some on the other, and amongst those deducted from that amount was this Secret Service money, \$8,398.83.

334. Does that appear in the printed accounts?—Only that balance of \$50,211.95 which was charged against the Province is shown in the Public Accounts. In looking into the matter, as to what they consisted of, I found some \$62,000 on the one side and three smaller entries on the other; amongst the rest the \$8,398.83; so that amount was deducted from the banking account charged against the Province.

335. Have you the transcript of that?—Yes.

Transcript put in as follows:—

(21.)

EXTRACT FROM LEDGER.

SERVICES of 1868 for the late Province of Canada.

	\$ cts.		\$ cts.
Secret Service	8,398 83	Customs Expenditure.....	1,600 00
Penitentiary.....	668 04	Militia.....	39,057 70
Education	2,758 13	Civil Government.....	13,992 61
Balance.....	50,211 95	Education.....	7,386 64
	<hr/> \$62,036 95		<hr/> \$62,036 95

336. And can give the reference to the portions of the Public Accounts which are necessary to explain it?—It will be seen by the statement of affairs of 1867, at page 2, Part 1, that the balance of the banking account was \$3,209,163.85, and if from that is deducted the Crown Lands balance account, which was not included in the public debt, the balance will be found to be \$3,096,415.22 against the late Province of Canada, as appears in the Public Accounts of 1868, Part 3, page 20. Then again, if you refer to the accounts for 1867, you will find amongst the items consisting of bank accounts, on page 2, Part 1, one of \$50,211.95, as I have already stated.

337. How is this properly headed?—Extract from Public Accounts.

338. No; but the other?—That is an extract from our ledger.

339. But what account?—Services of 1868.

340. Services of the late Province?—Yes; the other statement which I put in shows that that amount was afterwards carried forward and so deducted from the other things charged against the Province.

341. Then the practical result was that Canada, the Dominion, paid during the first year of the existence of the two Provinces, certain sums for the services of the two Provinces?—Yes, during the last few days of the years, some things are brought in under the head of Services of 1867 and 1868.

342. The Dominion having paid for the Province, money for the other services, of course the Province was charged with that amount, and against that it was credited with the several items, Secret Service, Penitentiaries and Education, which reduces the amount chargeable to \$50,211.95, with the balance in the statement?—Yes; in fact, the late Province may be said to have paid that amount for Penitentiaries and that amount for Secret Service.

343. Then the practical result was that the public cash of the Dominion had been expended in producing this more favourable balance to the Province of \$50,211.95?

—No; I mean at the end of the year 1867 there was this amount paid over into the Dominion Treasury, and the Province got credit for it.

344. Which amount?—The \$8,000.

345. This amount was paid over, for which the late Province got credit, and it remained in the hands of the Receiver-General as paid cash?—Yes; that is how it was treated.

346. I know that, but we are speaking of it before it was utilized as a Secret Service Fund?—It was paid over in 1867 to the Receiver-General as a special account, and there was remaining of it at the end of the year this amount, which remained in the control of the Dominion, and therefore the Province got credit for it.

347. It remained with the Dominion as a Provincial balance?—It remained in the Dominion Exchequer and the Dominion gave the Province credit for it and there was an end of it so far as the Province was concerned.

348. Because the Dominion gave credit for it as so much cash?—Yes, as so much cash; then the Dominion added it to the Secret Service Fund of the Dominion some years afterwards.

349. Then there was something asked about two deposits in the Bank of Montreal?—They both of them were from the same expenditure on account of the insurrection losses in Manitoba. The money had been paid in advance before the thing was finally settled; and, therefore, when the thing was settled these amounts were refunded to the Secret Service. These are the Orders in Council:—

(22.)

COPY of a Report of a Committee of the Honourable the Privy Council, approved by His Excellency the Governor General in Council, on the 14th February, 1871.

On a memorandum dated 14th February, 1871, from the hon. the Minister of Finance, reporting that the Manager of the Bank of Montreal has advanced under his directions the sum of three thousand seven hundred and eighty-four dollars (\$3,784.00) to pay the expenses of various delegates employed at the request of this Government in connection with the difficulties in the Red River Settlement in 1869-1870, and recommending that a warrant issue in favour of A. Drummond, Esq., Manager of the Bank of Montreal in Ottawa, for the amount stated, the same to be charged against the vote for the opening up of communication with the North-West.

The Committee advise that a warrant issue accordingly.

Certified.

(Signed)

Jos. O. COTÉ,
Assistant Clerk, P. C.

(23)

COPY of a Report of a Committee of the Honourable the Privy Council, approved by His Excellency the Governor General in Council, on the 10th July, 1871.

On a Memorandum dated 6th July, 1871, from the Hon. the Minister of Finance, requesting that a warrant may issue in favour of Andrew Drummond, Esq., Manager of the Bank of Montreal, to cover advances made by his direction for the following services, viz:—

Dr. Schultz	\$11,000
Dr. Schultz for sending Refugees from Manitoba.....	500
Dr. Lynch	300
	\$11,800

which amount should be charged against the vote of last Session of Parliament for paying losses sustained by the sufferers in Manitoba.

The Committee advise the issue of a warrant in favour of Andrew Drummond, Esq., for \$11,800 as recommended.

Certified.

(Signed)

Jos. O. COTÉ,
Assist. Clerk, P. C.

To the AUDITOR.

350. Then as I understand your explanation, these two sums were originally drawn through Sir Francis Hincks from the Secret Service fund and were subsequently refunded from that fund and charged to another appropriation which was made by Parliament?—The Bank of Montreal refunded the amount.

351. You were not aware that it was advanced out of the Secret Service Fund before; you thought it was advanced by the Bank at the request of a Minister in a case of emergency?—Yes.

352. Would you refer to the Public Accounts of 1872 and find the accounts that cover those amounts. One was in February, 1871, and another was in July, 1871, so that they will probably appear in different years?—Yes, but in the meantime, not to detain the Committee, I can go on with anything else.

353. It seems, from the statements put in, that so far as the others are concerned, this transaction of the re-deposit was opened by a letter from Mr. Drummond to you on the third of November, in which he points out that the balance at the credit of this special of Sir John is so much, and he says "in view of this being closed, please send me such official instructions as may be requisite." Had you had any verbal communication with Mr. Drummond prior to this?—Yes, I had a conversation with him.

354. More than one?—I cannot recollect. I know I had a conversation with him.

355. Long prior to this letter?—No. I only recollect it just on that occasion.

356. Will you state what that conversation was?—I cannot recollect exactly what it was, but my impression was that if this money had been really pledged by the Government, I thought Sir John had a right to retain that money on hand so that it might be available in a proper way. As to how it was to be got that was nothing to me; but I thought that in the meantime the balance ought to be refunded if there was no claim upon it.

357. Had you any conversation with Mr. Drummond before the writing of this letter, suggesting to him to allow Sir John Macdonald to cheque out a certain portion of that money and deposit the balance?—I am sure I could not have recommended him to do that, for it did not appear to me that that would be the correct thing to do without further information.

358. You thought it would be all right to pay in whatever could be got in?—Yes; I thought so.

359. Was it your idea that Sir John Macdonald, or the other late Ministers could cheque out this money?—I don't think they could.

360. Was it your idea then?—I don't think it could have been; but it is a difficult thing for me to recollect conversations which took place so long ago. I recollect a conversation with Sir John, and that he thought of consulting Mr. Mackenzie on the subject.

361. Was it your idea at any time, from the first time that it was mentioned, that this account to the credit of the Ministers in their official capacity could be chequed out by one of them?—No; I don't think it was.

362. And you do not think so to-day?—No; but I thought if the late Ministry were in any way pledged, it might be right to let it remain in that special fund and not pay it out.

363. If Sir John Macdonald, as an ex-Minister, could not cheque this out, would it not be because he had no control over it? It was the Minister of Justice, and no individual who could cheque it out I expect; I could cheque it out, but not he. Did you think he would cheque it out?—No, I did not, I have a recollection of him saying that he would consult Mr. Mackenzie on the subject.

364. You therefore suggested to Mr. Drummond that Sir John could cheque it out?—Mr. Drummond must have misunderstood me as to that.

365. Well, I understand you that you instructed him on the 4th not to accept Sir John Macdonald's cheque, but to deposit the \$25,000 to the credit of the Receiver-General?—I instructed him to deposit the balance to the credit of the Receiver-General, but I don't think I said anything about the cheque.

366. That was upon the theory that that \$25,000 was under the control of the Government?—Yes, that it was Government money, and ought to be paid in.

367. You did not intend then that Mr. Drummond should honour Sir John Macdonald's cheque for any portion of the fund to be paid out?—No. I did not give any instructions about that.

368. On the 12th November it seems that Mr. Drummond wrote you a letter which has been read this morning, in which he says that the Special Fund has been closed by the handing to Sir John Macdonald of \$6,600, and the transferring of the balance to the credit of the Receiver-General. Mr. Drummond intimates that he accounted to Sir John Macdonald for this \$6,600. Did you remonstrate with him for doing so?—I do not recollect; in all probability I took the deposit which was inside it without making any enquiry about the rest.

369. You did not make any enquiry about the accounting with Sir John Macdonald for this \$6,600?—No.

370. You did not intend that he should account for this \$6,600?—No.

371. And you do not think it would be a right thing for him to do?—No; and I took an early opportunity of communicating with Mr. Mackenzie as to the circumstances.

By Mr. Smith (Selkirk) :—

372. Did you suggest to Mr. Drummond any other course by which the amount of \$6,600 could be appropriately paid over to the Dominion?—I did not suggest another course. My own feeling was that Sir John Macdonald could communicate with Mr. Mackenzie in the meantime.

By Mr. Blake :—

373. Your idea was that the money should be left to the credit of the fund until the Ministers had been consulted before anything should be done and you had evidence of the money being appropriated?—No.

By Mr. Kirkpatrick :—

374. Do you know how the account stood in the Bank?—No.

375. Then you did not know who had the right to cheque out the money?—Yes, I knew the money had been paid in to the credit of the late Ministry.

376. I asked you as to how the account stood in the Bank and as to who had the right to cheque out the money?—The late Ministry had the power up to the time of their resignation; and when their resignation came, it became a question what was to be done. My own opinion was that they had no right without consulting the successors.

377. Did you think that Sir John Macdonald had the right to cheque out the \$25,000 to the credit of the Receiver-General?—I said to Mr. Drummond that he might accept Sir John's cheque to pay back the money to the Dominion.

378. If you could accept his cheque in that one case, why could you not do so in the other?—There was a material difference in the two cases. In the one, he was paying away money belonging to the Dominion, and in the other, he was paying the Dominion money belonging to itself.

379. Were you asked for instructions by Mr. Drummond?—I cannot exactly say. He may have asked me for instructions, but I cannot pretend to recollect. I am certain that I did not give him instructions to accept Sir John Macdonald's cheque.

380. Did you forbid him?—I would not say that I did, but I cannot pledge myself to remember exactly whether I did or not.

381. Were you informed by Mr. Drummond that he had given this money to Sir John Macdonald?—I knew almost immediately afterwards, and took the earliest opportunity of informing Mr. Mackenzie of the position of affairs. There is a letter here showing my conversation with Mr. Mackenzie, and the subject of the message went to Sir John, and my letter to Sir John, saying that I thought he was bound to account for what he had been doing.

382. You did not notify Mr. Drummond that he had paid away the money of the Dominion without instructions?—No.

383. If you had thought that he had done so, would you not have considered it to be your duty to notify him of that fact?—There might be a difference of opinion upon that. I don't think I notified Mr. Drummond.

384. If you knew he was paying away the money of the Dominion without authority, would you not have protested against it; would you not, as a public official, have considered it to be your duty to protest against it?—Allow me to say that this money was in an entirely different position from the ordinary cash in the Bank of Montreal.

385. The question is this: if you knew that Mr. Drummond was giving away the moneys of the Dominion without authority, would you not have protested against it?—I was just about to answer that question by saying that this money was in quite a different position from the ordinary cash in the Bank. If I had found him paying the ordinary cash in the Bank of Montreal, I should most decidedly have remonstrated; but this was a special account, with regard to which there might be difference of opinion as to how it should be dealt with; so, instead of remonstrating with him, I took the earliest opportunity of informing Mr. Mackenzie.

386. Then this was not the ordinary money to the credit of the Dominion?—No; it was a special account.

387. And it was apparently to the credit of Sir John Macdonald?—No; it was the credit of Sir John Macdonald, Minister of Justice, and others.

By Mr. Smith (Selkirk):—

388. Was it in Mr. Drummond's office, in the office of the Bank of Montreal, or your office, that this conversation took place?—There was hardly a day that I did not see him, and I cannot tell where it occurred.

389. Had you the particulars of this account before you when this conversation took place?—No; I knew nothing of the account on the occasion of that conversation, think I did ask what was the whole balance, but otherwise I did not know what the account was.

By Mr. Gibbs (South Ontario):—

390. Why did you say to Mr. Drummond, that he should receive \$25,000? Why didn't you say that he should give a cheque for the whole amount?—I have already stated two or three times that I thought Sir John was justified in wishing a sum to be reserved to meet certain claims which his Government had been pledged to, but was not justified in keeping anything more than was necessary to meet those claims, and I therefore recommended him to pay in all the balances after paying these claims. My instructions to Mr. Drummond were that there could be no difficulty in fixing in the amount, exclusive of what was necessary to meet these claims.

By Mr. Wood:—

391. It was necessary for Sir John to give a cheque in order to transfer that amount?—No.

392. It would have gone to the credit of the Receiver-General without his intervention?—Yes.

By Mr. Gibbs (South Ontario):—

393. Was it necessary that the Bank should require a cheque?—No.

By Mr. Workman :—

394. Did it not appear to you that it would be better to communicate with some of the heads of Departments and inform them of that fact before giving instructions as to the disposal of the money?—My own Minister was absent in England or I would have communicated with him.

395. I suppose there is some gentleman acting for him in his absence?—I think Mr. Scott represented him.

396. Did it not appear to you, as an old public officer understanding your business thoroughly, that the proper course would have been to communicate with the Government?—I think I was quite justified in saying pay in the balance that is not wanted.

397. But you had a communication with Sir John Macdonald negotiating certain amount, in which he mentioned that there was a certain amount that had been reserved; you ought certainly to have communicated that fact to the Government.—Perhaps so, but my own Minister was away.

By Mr. Blain :—

398. Why did not this sum appear in the Public Accounts until this year? Because it was not paid until 1875-6. It was not paid in time to appear in previous ones. Yes; but you were aware of this sum, and it did not appear in the Public Accounts before?—The conversation between Sir John and me and my conversation with Mr. Drummond, that has been alluded to, took place in October, and the money was paid in November of last year. I knew nothing about the amount. I simply knew there were unsettled claims before Sir John resigned, and some balance, but, as far as I knew, it might all have been paid away before they resigned. I had control of the Secret Service moneys.

By Mr. Workman :—

399. But surely before Sir John's resignation he informed you that there were certain amounts of this money to the credit of the Government in the Bank of Montreal?—Before his Government resigned he spoke to me about the Secret Service money. I said he ought to pay over the balance, and he then told me that there were uncertain outstanding claims that he did not exactly know how to deal with.

400. After that communication, when you learned there was a balance at the bank, did you communicate with your chief or whoever was in charge of your department?—No; I don't suppose I did.

By Dr. Tupper :—

401. At what date did the first one take place?—Just before the resignation, about that time.

402. Did you communicate with Mr. Drummond at that period in relation to that amount of money?—I had nothing to say to Mr. Drummond about it then.

Mr. DRUMMOND re-called, and further examined:—

By Dr. Tupper :—

403. What was the first communication between Mr. Langton and yourself with reference to this matter?—I communicated with Mr. Langton as soon as Sir John spoke to me on the subject.

404. At that time?—It was during the first session after the resignation, 1875.

By Mr. Blake :—

405. You mentioned the other day that you returned the vouchers on two distinct occasions. One time on the 5th of March, and the other time some time in August. Were they returned by letter?—Yes, to Sir John by letter in the first case, but not in the last case. On the last occasion Sir John called personally.

406. A copy of the letter can be produced?—Yes, sir.

407. It does not disclose anything as to the destination of the funds?—No, sir.

408. As to the second occasion, that was not by letter?—No, Sir.

409. Can you specify the date more accurately?—I could not at this moment.

410. You name August?—Yes.

411. Why?—That was my impression.

412. Was there any receipt for the vouchers?—No.

413. There was rather an exciting time in August; was it before or after that?—I don't remember.

414. You do not remember whether it was before the 13th of that month?—I do not.

By Mr. Smith (Selkirk) :—

415. When Sir John first spoke to you about this claim did you mention that it would be necessary to have the authority of the present Government?—Yes; I remarked that to him.

416. Have you any recollection of where the conversation took place, which resulted in Mr. Langton giving you a letter authorizing the deposit of the money. It was your understanding of that letter, was it not, that it was to cover the \$6,600 as well as the \$25,000?—Most distinctly, that was as I understood it. As to where the conversation took place, my impression is that Mr. Langton called on me at my office. I had also a conversation with him in his office, and I asked him for the letter specially then, in order that I might retain it as a record of what happened, though I was under the impression that everything was arranged satisfactorily, and that I was at full liberty to pay it even without the letter.

By Mr. Blain :—

417. How did you come to understand from this letter that you were authorized to pay over the \$6,600; that is not apparently the scope of the letter?—I thought I was authorized even outside of that letter, though I asked for the letter afterwards.

418. But how did you come to put that construction on this letter?—It was fully understood verbally before, by me, at all events. It was understood that the two sums were to be paid,—one to Sir John and the other to the Receiver-General.

419. It doesn't authorize you to pay it over, but to deposit it to the credit of the Receiver-General; it doesn't authorize the payment to Sir John Macdonald?—Sir John brought the cheques just as though they were his own, on the understanding he had with Mr. Langton.

By Mr. Wood :—

420. Did you think it necessary to have Sir John's cheque, in order to transfer the \$25,000?—Sir John brought it, at all events. He was the medium from beginning to end.

421. Did you believe his cheque to be necessary?—No, but he brought it, and endorsed it on the back, "pay to the order of the Receiver-General."

422. You acted on this cheque?—Yes.

By Mr. Blake :—

423. But you didn't think it necessary in order to effect the deposit?—No; I would have obeyed the instructions of the Government, and deposited it any time.

By Mr. Macdonald (Centre Toronto) :—

424. In your examination on Saturday you stated that Mr. Langton had explained to you that Sir John had satisfied him that there was a claim on this \$6,600. Was that the result of a verbal communication, or was it an inference drawn from the letter?—It was the result of a verbal communication prior to that.

By Mr. Ross (Prince Edward) :—

425. During your time in the Bank do you recollect Sir John ever calling for vouchers before that August?—I think no vouchers were taken before that time. Statements of account were called for and rendered from time to time, and the vouchers submitted to the Minister of Justice. I think I have given them through Mr. Langton to be submitted.

426. Did Sir John ever call for them himself before March, 1873?—No; that was the only time..

In reply to Mr. BLAKE,

Mr. LANGTON said that one warrant, that for \$11,800, was charged in the Public Accounts of 1872, Part II., page 358. The other warrant for \$3,784.00, was charged in the Public Accounts of 1871, Part I., page 298.

By Mr. Plumb :—

427. I would like to ask you a question. I thought, in the course of your examination, when you were speaking of the old Province accounts that there might be a misapprehension, and I would like to see whether it is correct or not. The sum of \$8,300 brought over was the only sum which went into the Secret Service Fund?—Oh, certainly.

RAILWAY COMMITTEE Room,
OTTAWA, Thursday, 22nd March, 1877.

Committee met—Mr. YOUNG in the chair.

The copy of the letter from Mr. Drummond to Sir John Macdonald of 5th March, 1873, called for at the last meeting, was submitted as follows:—

(24.)

BANK OF MONTREAL,
5th March, 1873.

MY DEAR SIR,—I enclose herewith, as requested, a statement of the special accounts of yourself and colleagues opened with this branch in August, 1866, and embracing the transactions from the commencement to the present time, showing balance at credit of \$37,179.04. It includes, you will observe, four cheques amounting to \$10,000 drawn at Toronto branch against the credit directed by you to be opened there for that amount, as per separate account received from Toronto branch. The statement No. 2 of the grant, per warrant, \$50,000, was directed to be opened in a separate account, and is accordingly so exhibited. The cheques drawing out same, Nos. 1 to 18, inclusive, and the cheques Nos. 1 to 45, inclusive, drawn against the account No. 1, together with the cheques at Toronto, are all sent herewith, with the exception of No. 44, \$2,100, paid 23rd January, 1872, the cheque for which has been mislaid, but which, it is trusted, will not cause any inconvenience.

I remain,

Yours very truly,

(Signed)

AND. DRUMMOND,

Manager.

Rt. Hon. Sir J. A. MACDONALD, K.C.B.

After which, Mr. LANGTON was re-called and questioned

By Mr. Blake :—

428. I see by the report of the evidence that it was not very distinctly stated whether there was an Order in Council for the transfer of the \$18,000 odd dollars. I should like to ascertain if there was an Order in Council?—I conceive there could not have been, or it would have been quoted in my certificate. I will look over the Orders in Council and ascertain whether there was or not.

429. Can you tell on whose authority you directed the transfer?—No, I cannot.

430. There is no written authority?—No.

431. Mere verbal instructions?—Yes; but whose I know not.

Sir JOHN MACDONALD appeared before the Committee.

By Mr. Blake :—

432. There are several points arising out of the present evidence to which the Committee will, I think, desire to direct Sir John's attention. The first that occurs to me is with reference to Mr. Langton's statement. The Auditor-General has stated that a verbal intimation was given to him during several years, of the amounts expended for secret service during those years, without, however, their having been entered in the Public Accounts. Mr. Langton was unable to say who had given him that intimation—what Minister. I would like to know whether it was Sir John who gave that intimation?—No intimation was given by me. I presume it was given by the Finance Minister of the day; but I don't know.

433. There appears in one of the accounts which appear to have been opened (one opened and the other kept open) with the Bank of Montreal, I mean special account No. 1 under the date of December 27th, 1871, a charge for a cheque of \$1,000. Now, without infringing upon what is understood to be the sense of the Committee, that we should not enquire into the destination of the money, it would not perhaps be inconvenient to you to identify that particular sum. The date on which that sum is charged is the date of the letter produced in the North-West Committee from Sir John Macdonald to Archbishop Taché, enclosing a draft for \$1,000 for the purpose stated in the Committee, and which, in the evidence of Sir John, he stated to have been paid out of the Secret Service Funds. I was desirous of knowing whether that is the amount that represents that payment?—Well, I really cannot state that from recollection for I have no recollection in the matter.

434. The next previous item is September 11th, \$425, January 23rd, \$2,100, and on the date of the letter there is the cheque for the \$1,000. I draw the inference it was the same money?—Well, I would draw the same inference, though I have no personal recollection of it.

434a. It also appears from the evidence of Mr. Drummond that two sums were drawn out of the Secret Service money aggregating \$15,584, which were replaced by a deposit on February 11th, 1871. They were drawn to pay certain claims and expenses arising out of the Manitoba affair. They were drawn it seems by Sir Francis Hincks. Were you aware of these drafts?—Any cheques drawn upon that fund from May 6th, 1870, until very late in that year I know nothing of, having been ill and absent.

435. From May 6th, 1870, to some period —————?—I returned in the end of September, but was not capable of attending to much work, and did nothing in fact until the ensuing Session.

436. We have not at present the date of the drafts. I presume it was during the period of your illness?—I presume so.

437. It appears that the sum of \$8,300 odd, which was the remainder of the Secret Service fund of the late Legislature of Canada, was on the 18th of October, 1869, transferred to, or made part of, the fund of the Dominion. Were you aware?—I dare say I was at the time, but I had forgotten all about it until I saw it in the evidence the other day. I suppose it was a matter arranged by the Finance Minister.

438. The special account which is produced shows that on the 26th June, 1871, the balance undrawn of what was already deposited was \$15,754. From the recommendation of this made on the 26th June, I think an additional sum, in fact, the remainder of the whole vote, \$35,000, was ordered to be deposited, making a total in deposit at the close of the financial year of \$50,754. The recommendation dated 26th June, on which this \$35,000 was added to the \$15,000 balance remaining, states "there remains unexpended of the vote for Secret Service the sum of \$35,000. That as there was no vote taken for Secret Service last Session, and inasmuch as there is sufficient evidence that the public interests may require that the unexpended balance should be used, he recommends that the same be carried to the credit of the Sub-Committee of Council on Secret Service matters." There was at that time of the amount actually deposited over \$15,000, so that the total amount with this addition thus transferred, was over \$50,000?—Yes.

439. It would rather appear from the magnitude of the transfer and the language of the recommendation that it was with the idea that some exigency might arise requiring the further use of Secret Service money that this additional transfer took place?—I think I remember the circumstances. In Council the attention of the Council was called by the Finance Minister to the fact that there was this balance, and that there was no intention of applying for a new vote, and that it might lapse unless it was used. Well, there were large outstanding claims, some of them very unjust, or rather very excessive, which required to be settled in some way at some time, but it was suggested that I should make a report, which I did on the spot, and this was the report.

440. The idea was this, that this vote should not be utilized for any purpose except to meet claims which had accrued prior to the 30th June?—No; I do not at all mean to say so.

441. The idea was that it, or some portion of it, might be requisite for old claims, and that public exigency might require the use of it for new purposes?—If the claims preferred had been paid in full, they would have more than exhausted the whole sum; but I was satisfied many of the claims were excessive. Both objects were in contemplation according to the best of my recollection, first to pay outstanding claims, and secondly, to have the means of using the fund in the future for public services.

442. It appears by the evidence of Mr. Drummond that on the 5th of March, 1873, you received all the vouchers in his possession up to that date in connection with the fund?—I see by Mr. Drummond's evidence that he says he was "requested by the Minister of Justice." I suppose that is correct in one sense. I never made verbal application for these papers, but I presume from his evidence, though I don't remember it, that there was a demand in my name as Minister of Justice.

443. And were they received as per letter produced?—I have no doubt they were.

444. Have you them still?—I have not.

445. Have they been destroyed?—I presume they have been, though not by me. I don't know anything about them. I presume they ought to have been destroyed for fear they might compromise third parties, but whether they were I cannot say.

446. You have no means of telling?—I don't know.

447. Not having recollecting the fact of having made this application, you of course could not tell why it was made on that day—the day of the opening of Parliament?—I don't know really. It may have been by the instructions of the Government, or my own. I really forget.

448. It seems that the vouchers for the intervening period between March and August were returned in August?—That stands exactly in the same way, by requisition of the Department or on account of the Sub-Committee in my name, mine being the first name.

449. Your answer as to the first lot applies *mutatis mutandis* to the second?—Yes, they are just in the same position.

450. Did you keep any record of any of these payments?—I kept no record.

451. Or account?—No; I kept no record.

452. Was any kept?—I suppose the running account by the Finance Minister or those concerned in cash matters. I kept no account.

453. You are not aware of any account?—I have no doubt there was a running draft or blotter of some kind. I paid no attention to the accounting part of it.

454. Who did?—I presume the successive Finance Ministers who were members of the Sub-Committee.

455. You are not aware of any book or record?—I don't know of any.

456. Either before or after the resolution of the Public Accounts Committee reported on the 29th May, 1872?—Either before or after.

457. That resolution, then, was not, so far as you know, observed?—Which?

458. The resolution of the Public Accounts Committee?—I think it was.

459. That resolution is: "That inasmuch as such large sums as \$75,000 have been voted for 'Secret Service Money,' of which there is no audit, as in the case of other expenditure, this Committee is of opinion that an account of all sums hereafter spent in 'Secret Service' should be kept as in England, in a book specially prepared for the purpose, and that this book should annually be inspected by a confidential Committee, of whom two shall be members of the Opposition of the day." There were large sums spent after the date of this resolution?—I remember the resolution well and the circumstances. The resolution was introduced, I think, by Mr. Young. I was not present at the Committee on Public Accounts; Sir Francis Hincks was present. The resolution was presented and was under discussion. I think he sent for me, and I came to the Committee. I protested against giving any examination into the details of the Secret Service, but as I learned from some conversation between Sir Francis and the Committee he assented or appeared to assent to the resolution. I said for the future I would have no objection that that should be the practice, but as to the past applications I certainly would not agree, and I gave my reasons.

460. I was speaking of the resolution itself, which does say that an account of all sums should be kept in a book?—I considered that the same rule should apply as in England, that the money when handed over to the Committee was in fact spent.

461. You considered that the same rule should apply, and that the sum of \$47,000, which was at one time handed over, was spent?—Yes; I considered that the sum, at all events as regards obligations previously made, was spent.

462. As to obligations not previously contracted?—Well, no; I should think not in the spirit of the resolution.

463. As to new matters you considered that an account should be kept?—I didn't at the time consider much about it. I simply stated that as to future matters I should have no objections, but as to past ones, I would not give the details.

464. And you construed the resolution as meaning sums hereafter spent for new obligations?—That was what I intended by my observations at the time, and I acted in that spirit.

465. I observe that the accounts were opened in the names of several Ministers in their official capacity. What was the custom [of drawing on this account]?—It varied according to my recollection of it. When the fund was first formed before Confederation it was considered such a delicate matter in the peculiar circumstances of the country, that the fund, or rather the knowledge of its application should be confined to as few as possible, and four were therefore appointed. It was first discussed whether it would not be better for the Sub-Committee to draw what money was wanted, and keep a cash box, and pay it so that by no possibility could it be traced to the hands of the parties receiving it. This was considered so inconvenient that the Ministers of the day thought it could be managed more conveniently by having a separate account, which would be altogether distinct from Secret Service Account, and which would stand in the name of the four members forming the Sub-Committee of Council. That was the origin of the system. I may say that I see it stated in Mr. Drummond's evidence that the rule was that two of the Committee were to sign. I don't recollect that there was any such rule. Practically, however, I suppose all cheques were signed by two or more. That was a matter of arrangement by the Committee. When I was absent, Sir George Cartier acted for me as

Minister of Justice, as well as in his own department, and had full authority to sign my name for cheques. I had for him.

466. Though you don't remember any such rule, you recollect that the practice was to have two or more signatures to the cheque?—I cannot go so far as that. I cannot say it was so. I would certainly have been surprised if I, as a member of the Committee, should have had my cheque refused.

467. Mr. Drummond says that when only one name was attached he received letters afterwards explaining that it was an emergency, and that those letters were returned?—I don't remember that.

468. The heading of the account shows that when Ministers came in, their names were added to the account. I presume old Ministers had no authority—Mr. McDougall for example?—No; I think not.

469. Even for old claims contracted during his term of office? No; I think not.

470. Did you mention to any one, about the period of the resignation of the late Ministry the fact that there was, or explain, the balance to the credit of this special account?—I see that Mr. Langton says that I mentioned it to him. It is likely did; in fact there is probably no doubt about it, since he says so. I don't remember the conversation, but it is likely I did mention it to my colleagues.

471. You mentioned it to your colleagues, but you don't remember the circumstances of Mr. Langton's statements?—Just so.

472. Did you mention it, to the best of your recollection to Mr. Langton at any subsequent period until November, 1875?—No; I don't remember.

473. Did you mention to Mr. Drummond at any time at or about the resignation or subsequently. His statement is that it was mentioned about the time of the resignation, during the session of 1874, and during the session of 1875?—I don't remember all the conversations. I often went into Mr. Drummond's Bank on my own matters, and I may have spoken to him about it. I remember on one occasion he stated to me something like this, so far as I remember. He said "about that account?" I said there is an unsettled account which I want to settle first. I think it was a conversation of that kind. Afterwards when I came down to Ottawa and desired to settle the matter finally, I said to Mr. Drummond—

474. Perhaps, Sir John, before we proceed to that, you will say if that is the only detail you can remember as to prior conversations with Mr. Drummond?—Yes I think so.

475. Though you don't entertain any doubt as to his correctness in giving the particulars?—Well, his memory may be as defective as my own. I have no recollection of any conversation but the first and the only one.

476. You cannot, therefore, say that this conversation occurred to which he deposes?—I cannot, but I have no reason to doubt his general accuracy of statement.

477. You do remember that you were at Ottawa, and that the subject was taken up about the time the affair was settled, about the end of October or the beginning of November?—Yes.

478. Whom did you see?—I went to Mr. Drummond and told him I wished to have it settled, that I knew the claims against the fund were sufficiently adjusted, and that I wanted to pay it over. He made some such remark as this to me, according to my recollection: "Take care I don't get into trouble with the Government." I said: "You will not; I am going to the Auditor-General." I went to Mr. Langton and told him the fact that that sum had been lying and was still lying at the bank; that there was \$6,600 of claims justly against it. I asked him what was the mode of paying the balance. He told me the mode.

479. Describe the mode, please?—We took down a memorandum of the whole amount, as well as the \$6,600, which I thought the late Government was responsible for. I wanted to pay the balance. I told him to deposit to the credit of the Receiver-General.

480. Did he tell you to cheque out the \$6,600?—No; I can't say he did. I don't think the thing came up in Mr. Langton's mind. He took it for granted that I was

cheque out this money and pay the claim, and that the balance should go to the Receiver-General.

481. It was not understood that you were to cheque out the \$6,600?—There was no understanding that I remember. I told him of the fact and he made no objection. I presume it was for that reason he thought I had the authority.

482. Did you think you had authority?—Yes.

483. On the principle on which Mr. McDougall would not have had authority?—There was a personal engagement. I submitted it to my colleagues before I resigned. I considered I had a right to pay the claim, especially as Mr. Campbell had made himself responsible for \$6,000.

484. You conceived that you or any other of the ex-Ministers would have authority to cheque out?—I acted as I thought I had that authority.

485. You thought you had authority?—Yes; I told Mr. Campbell of it when I went to Toronto, perhaps not immediately, but when he said, "I don't want to get into any trouble about it," and about that I got a note from Mr. Langton, and I mentioned it to Mr. Mackenzie.

486. Your view then was in point of law and constitutional doctrine, that any of the ex-ministers could cheque out this money?—I thought under the circumstances that I had a right to keep and apply the money and to draw the cheque.

487. Mr. Drummond says he referred you once or twice to the Government with reference to any disposal of the fund, and in your letter to him, which is produced, you say to him that you had not time to see Mr. Langton?—I saw Mr. Langton.

488. Yes, but this was anterior. It is dated after the session. Was this in reference to Mr. Drummond's doubt as to whether he could properly pay over the money?—I really could not say.

489. The letter is in May, I think, some time?—Yes, that brings to my recollection that we must have had some conversation about it. I was called to Toronto suddenly and did not see the Auditor.

490. Was this in reference to Mr. Drummond's difficulty in dealing with the matter without the authority of the Government of the day?—The dealing with it?

491. Yes. Your desire was that a certain sum should be issued to you, and the balance deposited. Mr. Drummond says that he didn't see his way to chequeing it without having that authority of the Government, and suggested to you to get the authority of the Government. I ask whether this interview spoken of, with Mr. Langton, was in reference to that question? I fancy from this that in the conversation we had, we spoke about the mode of closing the account, and that I said I would speak to the Auditor as to the mode, and that I didn't do so.

492. Mr. Langton also states that he suggested to you the propriety of communicating with some of the Ministers of the day?—He wrote to me a note, that was the only communication we had on the subject.

493. That note has been produced?—Yes; I suppose so.

494. He says that it was on a prior occasion?—I am satisfied he is in error there.

495. It never occurred to you to communicate all to the Minister on the subject?

No.

496. The cheque drawn is dated the 4th of November. From what was stated in the House the other day it would appear that of this money (\$6000) had been paid by Mr. Campbell at one time. You say he was responsible for it. When was this \$6000 paid over to Mr. Campbell?—After I saw Mr. Mackenzie and explained the circumstances.

497. How long after?—It was in April, shortly after the session.

498. The session of 1876?—Yes; after having a conversation with Mr. Mackenzie and going to Toronto, I told Mr. Campbell the conversation, and thereupon gave him the cheque, the money having been lying in the Bank of Montreal to my credit until that time.

499. It was paid over to Mr. Campbell, shortly after the session of 1876?—Yes.

500. The item of \$600—when was it paid?—Well, I believe, as a matter of fact, it has not been paid yet. It was paid by a gentleman—the cash advanced by ——

501. You stated that it was the member for Compton, Mr. Pope?—Yes.
 502. You have not yet paid that sum?—No.
 503. Was that an old or a new claim?—An old one.
 504. How old?—I cannot exactly say without reference to Mr. Pope.
 505. It is stated in the editorial correspondence of the *Gazette*, under the heading of the 16th February, that it was a claim that arose in the spring or summer of 1873—I don't remember. It was paid by Mr. Pope at my request. I wrote him to make this advance.
 506. But was it a claim that arose in the spring or summer of 1873?—Well, I cannot tell exactly; I cannot remember the dates; I know the services it was for.
 507. No doubt you could procure the information which would enable you to answer that question?—I will ascertain.
 508. In conformity with the spirit of the Committee I do not ask the object though it is stated in this paper. I merely ask the date?—I forgot.
 509. But you can ascertain?—Yes; I intimated to Mr. Mackenzie the particular purpose.
 510. You cannot now remember whether that occurred after the session of 1873—I cannot remember. I remember the service but I am a bad hand at dates. I can easily verify that.
 511. Had Mr. Campbell authority to deal with the Secret Service?—No; but I requested him.
 512. This particular matter was one in which his responsibility was engaged: your instance?—At my instance, and so with Mr. Pope.
 513. You say you did not pay any attention to the accounting part of the business?—No; I left that to others.
 514. Were you aware that by the Public Accounts the vote of 1870-71 appears as entirely expended and wiped out within that financial year?—I cannot say. I paid no attention to it. I left it entirely to the financial gentlemen. I applied my attention to the proper application and expenditure of the money.

RAILWAY COMMITTEE ROOM,

OTTAWA, Tuesday, 27th March, 1877.

Committee met—Mr. YOUNG in the chair.

The statement of the Special Account of \$10,000 at the Toronto Branch of the Bank of Montreal, called for at the last meeting, was handed in, as follows:

(25.)

Right Honourable Sir JOHN A. MACDONALD, in account with The Bank of Montreal, Toronto, being a Special Transfer of \$10,000 from Ottawa Branch.

1872.		\$ cts.	1872.		\$ ct
Nov. 13....	To cheque.....	2,000 00	Nov. 11....	By transfer from Ottawa....	10,000 00
do 15....	do	3,000 00			
do 15....	do	3,000 00			
do 19....	do	2,000 00			
		<hr/> \$10,000 00			<hr/> \$10,000 00

The four cheques mentioned above were duly sent to Ottawa after payment, on 25th November, 1872.

I hereby certify the above is a true copy of the Special Account, amounting to \$10,000, as specified.

TORONTO, 23rd March, 1877.

(Signed)

GEORGE W. YARKER,
Manager.

After which, Mr. DRUMMOND was recalled and further examined:

By Mr. Blake:—

515. The account which was sent by your letter shows, November 11th, 1872, transfer from Ottawa, \$10,000. Will you indicate which of the items in the account which you have laid before the Committee that \$10,000 represents?—The amount entered as October 17th. The alteration of the date was by a clerical error. It was actually on the 11th of November.

516. There was no item under the heading of 17th October?—No; It arose from cause; a cheque had been posted into that account which belonged to the Attorney-General's Department, and, in transcribing, it was placed under the same date.

517. So that November 11th is the date which we have to fix instead of the 17th October in No. 1 Special Account?—Yes.

Sir JOHN MACDONALD was then further questioned

By Mr. Blake:—

518. With regard to the date of the Services?—I cannot give the precise date; I asked Mr. Pope, and he cannot remember further than that it was in the summer of 1873.

519. You stated, Sir John, that you had on a former occasion an interview with Mr. Mackenzie subsequently to the transactions which have been the subject of investigation—the paying over of this balance and the drawing of this cheque. When did that interview take place?—It must have taken place immediately after the prorogation of last session.

520. There was one before last session I think. In your letter to Mr. Langton, written after the receipt of his letter in which he mentioned Mr. Mackenzie's views as to its coming within the resolution of the Committee, you informed him that you would take an early opportunity of seeing him. That was written on the 23rd of November?—Yes.

521. Was the first interview with Mr. Mackenzie after the session of 1876?—It was the first interview; we had some conversation about it during the session. I do not know now how it arose, but I told him I would call upon him and explain the matter to him. I don't know whether Mr. Mackenzie remembers the time. I was laid up for a time at the end of the session, but at all events the conversation was some four or five days before the close of the session. Mr. Mackenzie and I had just about three weeks, and I said I would see him in a day or two. I did see him before I went after the session.

522. Your memory doesn't serve you as to having a conversation with him before the session?—No; I have no remembrance of having any conversation with him before the session.

523. During the session, then, you had two short conversations, one of which only amounted to your saying that you would have a conversation with him at a later period?—Yes.

524. Before the date at which you had the first discussion. The first interview which it was discussed was three or four days after the prorogation of 1876?—Yes; before I went west.

525. Will you state what took place?—I went to his office, and told him I had come to talk about the matter. I said there were two claims, one of \$6,000 and the other of \$600. That the former was one in which Mr. Campbell had made himself personally responsible, and that the \$600 was one which Mr. Pope had paid. I mentioned to him the purpose for which he paid that money. Mr. Mackenzie said to me,

I remember aright: "You remember the resolution of 1871?" I said: "I remember it perfectly, but I don't think that this \$6,000—I didn't mention the \$600 claim, I think—comes within the resolution of the Committee, as it applies to obligations or engagements which had been incurred before the rule was passed." I said

that Mr. Campbell had made himself liable for it personally, and had not yet paid it; that he did not want to have any after-claps about it, and, in fact, wanted to know whether there would be any objection to his receiving the money or not. Mr. Mackenzie asked me if I could give the names of the parties receiving the money. I said "No, we cannot; we are under a personal pledge not to reveal the names of parties." That is as nearly as I can remember the conversation.

526. Did Mr. Mackenzie intimate to you that he assented to the payment in some way?—I thought so.

527. You say so?—Yes; I told Mr. Campbell so when I went to Toronto.

528. What did Mr. Mackenzie say?—I told him I wanted to understand the matter, as Mr. Campbell wished to know if there was any objection to paying it, I understood Mr. Mackenzie to say that there was not.

529. Did Mr. Mackenzie agree that this was not subject to the resolution of the Committee?—He did not say so.

530. Did he adhere to his view that it was subject to the resolution?—I don't think he said either one thing or the other.

531. He called attention to it?—Yes; I explained my views, and according to the best of my recollection, he neither acceded nor objected expressly to them. I must remember that previous to this I had received Mr. Langton's letter desiring explanation of this \$6,600.

532. And also referring to the resolution?—Yes.

533. You were not on this occasion wanting from Mr. Mackenzie an authority to draw the money, or a recognition of the propriety of having drawn it, for you were satisfied that was all right?—I had no doubt myself that I had a right, and the object of my making that statement was in consequence of what Mr. Campbell, said to me, as I understood from him that he would rather pay the money out of his own pocket rather than have any after-claps about it.

534. Did you present to Mr. Mackenzie any question as your authority to draw the money?—Not that I remember.

535. Nor gave him any intimation as to the process made on which the money had been held before it was drawn?—No; I don't remember; the money had been lying in the Bank, and there was an end of it.

536. Did you suggest to Mr. Mackenzie that a few words from him to the Public Accounts Committee would set the matter at rest?—I don't think I did.

537. You don't remember that. You don't remember his saying that it would be impossible for him to adopt the suggestion?—He certainly didn't say that.

538. Can you say when the money was paid over to Mr. Campbell?—Well, my impression at the present is, as I stated before, that it was shortly after my return to Toronto, but I cannot say positively; I could ascertain that from Mr. Campbell. I would wish to make a statement to the Committee, with respect to the practice of drawing cheques. My memory was very defective, but I have since spoken to Mr. Campbell, who acted for me as my *locum tenens* for six months, and he says the practice was for the member of the Sub-Committee under whom the particular subject happened to be, to give the cheque, and that there was no practice of more than signing that statement.

Mr. MACKENZIE then appeared before the Committee and made the following statement:—Late in the fall of 1875, Mr. Langton came to me and said that a very unexpected thing had turned up, or words to that effect. He then told me that Sir John Macdonald had had about \$25,000 of Secret Service money in his possession which he refunded. I expressed my amazement that I had never heard of it before, and asked Mr. Langton how it was that this should have been the case without our knowing it. He shook his head and said he really didn't know,—had no conception of the thing until Sir John told him. He then told me that an amount was retained still by Sir John, in his own hands, of \$6,600, wherewith to pay some outstanding claims. I immediately said, "Sir John cannot pay any amount outstanding claims. It must be paid in the regular way, because it comes under t

lution of the House in 1872. You had better advise Sir John at once of this
 action that I make." He told me he would. He afterwards showed me a reply
 from Sir John to his letter, in which he stated that he would see me when he came
 to Ottawa. When Sir John came to the meeting of the House I went over to him,
 and mentioned the matter to him. I think on the second or third day of the session, and mentioned the matter to him.
 told him that the whole matter must be stated to the House, and should be stated,
 in my opinion, at an early day, and that it was quite impossible that we should sanc-
 tion that mode of disbursing the money. He stated to me that he would see me in
 the course of a few days about the matter, and mentioned, in proof, what had passed
 between Mr. Langton and himself, of which, of course, I was aware. In the course
 of two or three weeks after that, as nearly as I can remember (for I kept no written
 memorandum, therefore I am not quite certain), I think in the third week of the
 session, I again spoke to Sir John about it. He was then, I think, quite ill; he was
 much in the House, and had not been there for a day or two before I spoke to
 him. I said to him that as soon as he got a little better we could arrange a way in
 which my view of bringing the matter before the House could be carried into effect.
 The interview I then spoke of did not take place, and I think about four or five days
 before the session closed, I again went to him and said that the session was so near
 its close that it seemed to me imperative that the matter should be mentioned by me
 in the House, and that having been in possession of the knowledge of the facts for
 months, it seemed to me to be quite improper that I should continue longer to be the
 custodian of those facts. I said that for my own sake I felt it necessary to
 make a statement of the facts to the House. He suggested that he would call and
 see me at my office, and that it was probably too late to say or do anything in the
 House, as many of the members had gone. He did come to my office. My impres-
 sion was, until he spoke to-day, that it was either the day of the prorogation, the day
 before, or it might have been the day after; it was one of these three days at all
 events. He explained to me that Mr. Senator Campbell was the party who had dealt
 with the claimants for this \$6,000; that the claim was originally for a much larger
 sum, but had ultimately been reduced to that figure. I think he stated that Mr.
 Campbell was personally liable for the amount, or had made himself personally
 responsible for this amount. The \$600 was for another purpose. I should say, however,
 that what he stated about that had escaped my memory, until it was refreshed by
 what had taken place in the Committee. I have no doubt that he said this \$600 was
 for detective service in Montreal. Matters had occurred at a subsequent period,—

Mr. BLAKE remarked that so far the Committee had not made any enquiry as to
 the purposes for which the money had been spent.

Mr. MACKENZIE continued:—I think he merely mentioned the circumstances. I am
 aware that I made any particular comment, in fact I cannot recollect precisely what
 was said. I recollect very distinctly stating to him that it was a matter that must
 necessarily come before the Public Accounts Committee. I recollect quite as dis-
 tinctly as I recollect the interview itself, his saying that I could very easily make
 an explanation of the circumstances to the Public Accounts Committee, that would
 be satisfactory. My reply was that it would be quite impossible to make any ex-
 planation. Before the conversation occurred, it must be remembered that the
 impression on my mind was that this money was in the actual personal possession of
 Sir John Macdonald, not as an ex-Minister or a former member of the Committee of
 Privy Council, and that the payment was being made by himself individually, not
 in his capacity as trustee of this fund; and that in whatever capacity, I stated that
 the money could only be paid in accordance with the resolution of the House which
 authorized these particular services after the date of the adoption of the report by the
 House of Commons. That is substantially all that I remember at the moment of what
 was inspired between Mr. Langton and myself and between Sir John and myself. Of
 course, if Mr. Langton had made me aware of what I observe from the report of the
 Committee that he was aware of, that this money had been there for years, I should

have taken another course, both in my conversation with him and in dealing with the subject. He did not make me aware of that, but expressed his surprise and astonishment that the Secret Service money should have been dealt with in this way.

By Mr. Blake :—

539. Did you in any way assent to the disposition of the money by Sir John? —No; I took particular care not to assent to any disposition of the money. I have already stated so in the House.

540. It would have been mentioned in the House but for the circumstances which you allude? —Yes, that was my impression. I knew that the mention of it was inevitable some time or other, and I thought it better that Parliament should have made acquainted at once with the circumstances that had arisen.

By Sir John Macdonald :—

541. Didn't I say that Mr. Campbell didn't wish to have any after-claps about it? —I think that was the exact expression—and that he wanted to know how the matter was to be disposed of? —I think it was quite likely you did. I don't remember the precise expression, but that is in accordance with the spirit of your remarks. You should say that I understood at this time that the money had been actually given for the purposes.

542. I certainly didn't convey that idea? —Probably not, but that was my impression.

543. The idea conveyed was that Mr. Campbell made himself personally responsible,—that, as he said, he didn't want to have any after-claps, and wished to have the matter settled.

By Mr. Blake :—

544. Did you say anything about the money being paid to or by Mr. Campbell? —No; certainly not.

545. Did you, in the course of the conversation, state what your view was as to the mode in which it should be dealt with? —I stated that both to Mr. Langton and in conversation with Sir John.

546. Did you say anything as to who were the proper disbursers of the funds after the resignation of the Ministry? —I rather think I didn't, so far as I can recollect, as my conversation was directed entirely to another point. I suppose that the money had all practically been disbursed. I don't think I understood anything about that branch of the question.

547. Mr. Langton didn't inform you that on the 4th of November it was standing to the credit of the Sub-Committee of Council? —No; he stated that it was to Sir John's personal credit in the Bank of Montreal.

Mr. LANGTON was then re-called and further examined:

By Mr. Tupper :—

548. Mr. Mackenzie says that you told him in the fall of 1875, when you had the first conversation with him, that something very unexpected had occurred; that you had just ascertained the position in which this amount of Secret Service money was. That statement seems to be irreconcilable with your statement that Sir John communicated with him in relation to the whole matter before the change of Government? —About the period of the resignation of the late Ministry I had a conversation with Sir John, in which he stated that there was a balance of Secret Service money remaining, and that there were unsettled claims which prevented him from putting it in order. That was the last thing I heard of it; I thought nothing more about it; I thought he might have paid in those claims, and when the money was paid in, I said to Mr. Mackenzie that we had received an unexpected addition to the revenue, not as though I was much astonished, because I had heard previously that there was a balance, though I didn't know the amount. When I got the certificate

deposit I took an opportunity of communicating with Mr. Mackenzie, saying that we had received the amount, and also the circumstance that there was an unsettled claim.

549. You didn't mean to convey the impression to Mr. Mackenzie that this was the first you had heard of it?—I was aware that there had been a balance, though I didn't know the amount.

550. Did you state that to him?—I intended to do so, and I think I recollect it. I feel quite certain I did, and that I had no means of knowing at that time whether it had all been paid in or whether it hadn't. That is my recollection, but at so long distance it is quite impossible to be perfectly certain about anything.

Mr. MACKENZIE: It is not very long. I can only say that not a word of that was ever stated to me.

Mr. LANGTON: I certainly did not mean to leave the impression that it was something I had heard for the first time.

Mr. MACKENZIE: That was entirely the impression you did convey. Your words could not carry any other.

Sir JOHN MACDONALD: I stated in my evidence before, but it does not appear to be sufficiently clear, that just before the late Government resigned I mentioned to my colleagues in Council the fact of a balance remaining; that there were two sums for which the fund was indebted to my colleagues Messrs. Campbell and Pope; I could then have obtained an Order in Council for the payment of these two sums, and for the return of the balance of the special account to the Treasury. I didn't do so because the claim for which Mr. Campbell was responsible had not then been adjusted, and it was much larger than the claim as finally settled. For the purpose of saving as much money as possible I delayed the winding up of the account. The original claim was more than twice the amount at which they were finally adjusted. They were most peculiar claims, and people had the most exaggerated ideas of the value of their services to the country.

By Mr. Blake:—

551. Did I understand you to say that you thought the proper course was to have obtained an Order in Council?—As things have turned out it would have been the better course. It would have put an end to it, and there would not have been this discussion before the Committee on Public Accounts. One of my colleagues has just called to my recollection that my colleagues authorized me to settle those claims.

552. Was this occasion that you mention a verbal authorization?—Yes.

553. Could you say how long that was before the resignation?—Only two or three days. The exact date I cannot remember, but of course it was when we were winding up our affairs.

By Mr. Mackenzie:—

554. It was a verbal, informal authorization?—Quite so.

By Mr. Blake:—

555. Was that the usual course? Did you usually take authority from Council to settle these claims?—As regards the Secret Service money handed over to the Sub-Committee, no.

556. Was it usual to take a discussion in Council?—No.

557. Or obtain authority to settle claims?—No; it was under the peculiar circumstances of the case, as we anticipated immediately resigning office.

558. Then it was in contemplation of the resignation that this special step was taken? Certainly.

559. Of obtaining authority from the resigning Ministry?—Yes; from the Ministry being about to resign. It was simply brought up by me as a matter of caution, as we were then setting our house in order.

RAILWAY COMMITTEE ROOM.

OTTAWA, Wednesday, 4th April, 1877.

Committee met---Mr. YOUNG in the chair.

The following Order in Council was handed in by Mr. Langton:—

(26.)

COPY of a report of a Committee of the Honourable the Executive Council approved by His Excellency the Governor General in Council, on the 6th August, 1866.

The Committee of Council respectfully recommend that the sum of fifty thousand dollars be appropriated from the vote for Secret Service, and that a warrant do issue in favour of the Receiver-General, with directions to place the same on special account with the Bank of Montreal, in the Names of the Attorneys-General for Upper and Lower Canada, the Minister of Finance and the Provincial Secretary, whose certificate that the same or any part thereof has been disbursed for the Service of the Province, shall be a sufficient discharge and voucher for the payment of the same.

Certified.

(Signed)

W. A. HIMSWORTH,

Clerk, Privy Council.

RAILWAY COMMITTEE ROOM,

OTTAWA, Monday, 9th April, 1877.

Committee met---Mr. YOUNG in the chair.

Sir JOHN MACDONALD was, with leave of the Committee, asked the following question:—

By Mr. Kirkpatrick:—

560. Were the moneys disbursed out of the Secret Service fund by the Sub-Committee since 29th May, 1872, for services rendered before that date?—With the exception of \$600 retained to meet money paid by Hon. Mr. Pope, all the moneys disbursed since the resolution of 29th May, 1872, were for claims against the fund for services rendered before that date.

MINUTES OF THE PROCEEDINGS
OF THE
COMMITTEE ON PUBLIC ACCOUNTS
IN REFERENCE TO
SECRET SERVICE EXPENDITURE.

HOUSE OF COMMONS,

RAILWAY COMMITTEE ROOM,
OTTAWA, 15th March, 1877.

Scroll of Select Standing Committee on Public Accounts.

Committee met.

MEMBERS PRESENT :

JAMES YOUNG, Esq., *Chairman.*

Messieurs

Archibald,	Fiset,	Pettet,
Ertram,	Galbraith,	Plumb,
ain,	Gibbs (Ontario South),	Pope (Queen's, P.E.I.),
ake,	Gibson,	Power,
burassa,	Goudge,	Ross (Prince Edward),
owell,	Holton,	Rymal,
irpee (St. John),	Jones (Halifax),	Scriven,
irpee (Sunbury),	Kirkpatrick,	Smith (Selkirk),
iron,	Landerkin,	Snider,
rtwright,	Macdonald (Toronto),	Thompson (Cariboo),
arlton,	Macdougall (Elgin),	Thompson (Haldimand),
avies,	Mackenzie,	Vail,
ejardins,	McCraney,	Wood,
eVeber,	McNab,	Workman and
omville,	Metcalfe,	Wright (Ottawa).
ymond,	Mitchell,	

Mr. Langton, Auditor-General, was in attendance.

Mr. Charlton enquired whether the Secret Service items had been referred to Committee.

The Chairman replied they had been referred, and read the order of reference follows:

" MONDAY, 5th March, 1877.

" *Ordered,* That the following items of expenditure of Secret Service funds, viz:—
the item of \$15,086.41 for the year 1868; the item of \$33,103.88 for the year 1869;
the item of 10,208.54 for the year 1870; and the item of \$75,000 for the year 1871,
be referred to the said Committee."

After which it was moved by Mr. Charlton—

That the Committee do call for copies of Orders in Council relating to the expenditure of any portion of votes of money for Secret Service since July 1st, 1867, and also of the recommendations on which such orders were based.

Statement from the Auditor of the various sums placed to any special account for the Secret Service purposes since July 1st, 1867, and the name of the bank or banks where such special accounts were kept, together with a statement from the Auditor of all entries in any of the books of account since July 1st, 1867, relating in any manner to Secret Service moneys, and all vouchers, warrants, and other papers connected therewith.

Statement from the Ottawa Branch of the Bank of Montreal of all accounts of moneys deposited on special account for Secret Service purposes, and all payments out of such special accounts, with dates and all particulars concerning the same, and all papers in the possession of the bank relating thereto.

The personal attendance of John Langton, Esq., Auditor.

The personal attendance of Mr. Drummond, Manager of the Bank of Montreal in Ottawa.—Carried.

Mr. Charlton also moved that the enquiry be proceeded with on Saturday, the 17th instant, at 11 o'clock, a.m.—Carried.

HOUSE OF COMMONS,

RAILWAY COMMITTEE ROOM,
OTTAWA, 17th March, 1877.

Scroll of Select Standing Committee on Public Accounts.

Committee met.

MEMBERS PRESENT :

JAMES YOUNG, Esq., Chairman.

Messieurs

Archibald,	Galbraith,	Mousseau,
Bertram,	Gibbs (Ontario South),	Pettet,
Blain,	Gibson,	Plumb,
Blake,	Goudge,	Pope (Queen's, P.E.I.),
Brouse,	Holton,	Power.
Burpee (St. John).	Jones (Halifax),	Robitaille,
Burpee (Sunbury),	Kirkpatrick,	Rouleau,
Caron,	Little,	Scriver,
Cartwright,	Macdonald (Toronto),	Smith (Selkirk),
Charlton,	Macdougall (Elgin),	Snider,
Cimon,	Masson,	Thompson (Cariboo),
Davies,	McCraney,	Thompson (Haldimand),
Desjardins,	McNab,	Vail,
DeVeber,	Metcalfe	Wood,
Domville,	Mills,	Workman, and
Dymond,	Mitchell	Wright (Pontiac).

Mr. Langton, Auditor-General, and Mr. Drummond, Manager of the Ottawa Branch of the Bank of Montreal, attended in obedience to the order of the Committee.

Mr. Drummond submitted the following letter:—

BANK OF MONTREAL,
OTTAWA, 16th March, 1877.

SIR,—In conformity with the request of the Committee on Public Accounts, conveyed through you in your letter of yesterday, I have the honour to submit here-with statements of the amounts for Secret Service purposes deposited in, and the disbursements made, through this Branch, from August, 1866, until closed on 12th November, 1875.

A statement of the account, accompanied by all the vouchers, was rendered on 1st March, 1873, to Sir John A. Macdonald, at his request, and again about August of same year, there are consequently no cheques in the possession of the Bank connected with the transactions, excepting for the closing of the accounts.

I remain Sir,
Your obedient servant,

(Signed) ANDREW DRUMMOND,
Manager.

EDWARD P. HARTNEY, Esq.,

Clerk of Committee, House of Commons.

(The said letters and statements are marked 1, 2 and 3 respectively.)

Mr. Langton then submitted a statement (marked 4), showing the dates and mounts of warrants for Secret Service.

Mr. Wood moved: That a short-hand writer be engaged to take the evidence.—Carried.

Mr. Langton was then called and examined by Mr. Charlton and others (his evidence being taken down by the short-hand writer.)

Mr. Himsorth, Clerk of the Privy Council, was present with the Orders in Council called for at the last meeting, which were laid on the table (marked 5, 6, 7, and 9.)

Ordered.—That copies of the warrants be produced at the next meeting.

Mr. Drummond was then called and examined (his evidence also being taken by the short-hand writer.)

Mr. Drummond was requested to bring at the next meeting exact copies from the books of the Bank, of the headings of No. 1 and No. 2 Special Accounts. Mr. Drummond was also requested to search for the letter authorizing the payment of \$6,600.

Mr. Drummond handed in two cheques (marked 10 and 11), which were filed, No. 10 being for \$6,600 and No. 11 for \$25,579.04.

Mr. Blake handed in a statement (marked 12.)

After Mr. Drummond's evidence had been taken, Mr. Langton was recalled and further examined.

Mr. Langton being requested to produce copies of letters written by him to Sir John Macdonald and Mr. Drummond, went over to his office for them.

Mr. Langton having returned with copies of the letters required, read the same to the Committee. (These letters are marked 13 and 14.) Mr. Langton also submitted a letter received by him from Sir John Macdonald, in answer to his of 3rd November, 1875, (marked 15.) Mr. Langton was then further examined, after which the Chairman enquired if the evidence was to be printed, which was *Ordered.*

Mr. Drummond and Mr. Langton were requested to attend on Tuesday at 10.30 o'clock a.m.

The Committee then adjourned until Tuesday at 10.30 o'clock a.m.

HOUSE OF COMMONS.

RAILWAY COMMITTEE ROOM,
OTTAWA, 20th March, 1877.

Scroll of Select Standing Committee on Public Accounts.

Committee met.

MEMBERS PRESENT:

JAMES YOUNG, Esq., *Chairman.*

Messieurs

Blain,	Gibson,	Plumb,
Blake,	Goudge,	Pope (Queen's, P.E.I.),
Bourassa,	Harwood,	Power,
Brouse,	Jones (Halifax),	Robitaille,
Burpee (St. John),	Kirkpatrick,	Ross (Prince Edward),
Burpee (Sunbury),	Laurier,	Rouleau,
Caron,	Little,	Seriver,
Cartwright,	Macdonald (Toronto),	Smith (Selkirk),
Charlton,	Macdougall (Elgin),	Snider,
Cimon,	Masson,	Thompson (Cariboo).
Colby,	McCraney,	Thompson (Haldimand),
Davies,	McLeod,	Tupper,
Domville,	McNab,	Vail,
Dymond,	Metcalfe,	Wood, and
Galbraith,	Mitchell,	Workman.
Gibbs (Ontario South),	Pettes,	

Messrs. Drummond and Langton were again in attendance.

Mr. Drummond being called on, produced the transcript of the heading of the Special Accounts Nos. 1 and 2, which was filed, (marked 16); also a letter to Mr. Langton (marked 17). He was then further examined by Mr. Blake and others, (the evidence being taken down by a shorthand writer.) During Mr. Drummond's examination he produced an extract of a letter to himself from Sir John Macdonald, marked 18; also a letter written by himself to Mr. Langton, enclosing a transfer receipt, (the letter being marked 19 and the receipt 20.)

Mr. Langton, was then called, and further examined by Mr. Blake and others.

Mr. Langton produced the original warrants asked for at the last meeting which were not filed, as copies had been put in at the last meeting; he also laid before the Committee an abstract from Ledger, Services of 1868 for the late Province of Canada, (marked 21,) and two Orders in Council, (marked 22 and 23).

Mr. Drummond was then re-called and asked to produce at the next meeting a copy of the letter returning vouchers to Sir John Macdonald; he (Mr. Drummond) was also further examined by Mr. Smith (Selkirk) and others.

Mr. Charlton moves—That Sir John A. Macdonald, a member of this Committee, be requested to attend at its next meeting.—Carried.

Mr. Langton was further questioned, after which the Committee adjourned until Thursday at 10:30 o'clock a.m.

HOUSE OF COMMONS,

RAILWAY COMMITTEE Room,
OTTAWA, 22nd March, 1877.*Scroll of Select Standing Committee on Public Accounts.*

Committee met.

MEMBERS PRESENT :

JAMES YOUNG, Esq., *Chairman.*

Messieurs

Blain,	Holton,	Plumb,
Blake,	Jones (Halifax),	Pope (Queen's, P. E. I.),
Brouse,	Little,	Power,
Caron,	Sir J. A. Macdonald,	Robitaille,
Cartwright,	Macdonald (Toronto),	Ross (Prince Edward),
Charlton,	Macdougall (Elgin),	Rouleau,
Cimon,	Mackenzie,	Scriver,
Colby,	McCraney,	Smith (Selkirk),
Davies,	McGregor,	Snider,
Delorme,	McLeod,	Thompson (Cariboo),
DeVeber,	McNab,	Thompson (Haldimand),
Domville,	Metcalfe,	Tupper,
Dymond,	Mills,	Vail,
Galbraith,	Mitchell,	Wood,
Gibbs (Ont., S.),	Mousseau,	Workman and
Goudge,	Pettes,	Wright (Ottawa),
Harwood,		

Mr. Langton, Auditor General, was in attendance.

The Chairman read a letter (marked 23½) from Mr. Drummond, enclosing the letter called for by the Committee at its last meeting, which was filed (and marked 24.)

Mr. Langton was then further questioned.

Sir John Macdonald was present, in accordance with the request of the Committee, and his attention was drawn to certain portions of the evidence taken at the former meetings of the Committee, to which he replied; and was requested to furnish the Committee with the date of the payment to Mr. Campbell of \$6,000.

Mr. Drummond was present in accordance with the request of the Committee, and was requested to furnish a copy of the Special account of \$10,000, kept at the Toronto Branch of the Bank; the said copy not to show to whom the money was paid.

The Committee then adjourned until Tuesday at 11 o'clock, A. M.

HOUSE OF COMMONS,

RAILWAY COMMITTEE ROOM,
OTTAWA, 27th March, 1877.*Scroll of Select Standing Committee on Public Accounts.*

Committee met.

MEMBERS PRESENT :

JAMES YOUNG, Esq., Chairman.

Messieurs

Blain,	Gcudge,	Metcalfe,
Blake,	Harwood,	Mitchell,
Burpee (Sunbury),	Holton,	Pettes,
Caron,	Jones (Halifax),	Plumb,
Cartwright,	Little,	Pope (Queen's, P.E.I.),
Charlton,	Sir J. A. Macdonald,	Power,
Colby,	Macdonald (Toronto),	Robitaille,
Davies,	Macdougall (Elgin),	Ross (Prince Edward),
Delorme,	Mackenzie,	Rouleau,
Domville,	Masson,	Scriver,
Dymond,	McCraney,	Thompson (Cariboo),
Fiset,	McGregor,	Tupper,
Galbraith,	McLeod,	Wood, and
Gibbs (Ontario South),	McNab,	Workman.
Gibson,		

Messrs. Drummond and Langton were in attendance.

The Chairman laid on the Table a letter (marked 24¹) he had received from Mr. Drummond enclosing the statement (marked 25) of the special account at the Toronto Branch of the Bank of Montreal, which was read.

Mr. Drummond was then called and further examined by Mr. Blake.

Sir John Macdonald, who was present, stated that he could not give the exact date of the payment of \$6,000 to Mr. Campbell, but that it was some time in the summer of 1873.

Sir John Macdonald was then further questioned by Mr. Blake.

Hon. Mr. Mackenzie then made a statement of what he knew in respect of the matter under consideration—and was questioned by Sir John Macdonald and Mr. Blake.

Mr. Langton was then called and further examined by Dr. Tupper and Mr. Mackenzie.

Sir John Macdonald was then further questioned by Mr. Blake and Mr. Mackenzie.

After which,

The Committee adjourned to the Call of the Chair.

HOUSE OF COMMONS,

RAILWAY COMMITTEE ROOM,
OTTAWA, 4th April, 1877.*Scroll of Select Standing Committee on Public Accounts.*

Committee met.

MEMBERS PRESENT :

JAMES YOUNG, Esq., Chairman.

Messieurs

Blain,	Galbraith,	Metcalfe,
Blake,	Gibbs (Ontario South),	Mills,
Bourassa,	Gibson,	Mitchell,
Bowell,	Goudge,	Pettes,
Boyer,	Harwood,	Plumb,
Brouse,	Holton,	Robitaille,
Burpee (St. John),	Kirkpatrick,	Ross (Prince Edward),
Burpee (Sunbury),	Landerkin,	Rouleau,
Caron,	Little,	Scriver,
Cartwright,	Sir J. A. Macdonald,	Smith (Selkirk),
Charlton,	Macdonald (Toronto),	Thompson (Cariboo),
Cimon,	Macdougall (Elgin),	Thompson (Haldimand),
Colby,	Mackenzie,	Thompson (Welland),
Davies,	Masson,	Tupper,
Delorme,	McCraney,	Vail,
Desjardins,	McGregor,	Wood, and
DeVeber,	McLeod,	Workman.
Dymond,	McNab,	

Mr. Langton was in attendance in answer to the request of the Committee.

Mr. Langton submitted the Order in Council of 6th August, 1866, respecting Secret Service (marked 26.)

Mr. Charlton moves that the following be the report of this Committee on Secret Service matters :—

REPORT.

THE SELECT STANDING COMMITTEE on Public Accounts, to whom was referred the following items of expenditure of Secret Service Funds, viz.: The item of \$15,086.41, for the year 1868; the item of \$33,103.88, for the year 1869; the item of \$10,208.54, for the year 1870; and the item of \$75,000, for the year 1871, have had the same under consideration; and upon the order of reference and matters connected therewith, including the refund of \$25,579.04 to the Receiver-General on 12th November, 1875, and the withdrawal of \$6,600 from the same fund upon the same day, the Committee beg to present as their

THIRD REPORT:

That they have examined several witnesses, a copy of whose evidence together with the motions, proceedings and votes of the Committee in this reference, is appended, and upon the facts established before the Committee they beg leave to submit the following:—

In the session of 1867-68 Parliament appropriated for Secret and Detective Service for the fiscal year, 1867-68, the sum of \$50,000.

On the 5th June, 1868, within four weeks of the close of the fiscal year, an order was made in Council directing \$50,000 of the vote for Secret and Detective Service for 1868 to be placed on special account with the Bank of Montreal, in the names of the Minister of Justice, the Minister of Militia, the Minister of Finance, and the Minister of Inland Revenue, whose certificate that the money or any part thereof had been disbursed for the service of the country should be a sufficient discharge and voucher for the payment of the same. On the 6th of June this sum was deposited accordingly.

Between the 10th and the 29th of June there was drawn, as appears by the Bank account produced by the Agent of the Bank, \$21,991.41, leaving a balance unexpended at the close of the fiscal year of \$28,008.59. By the Public Accounts the sum of \$15,081.41 only is entered as expended during the fiscal year. This entry was made by the Auditor General under verbal instructions from some Minister, but whom he does not remember. No certificate of any Minister for the disbursement of this or any other sum expended for this service has ever been given.

In the session of 1869 the sum of \$75,000 was voted for this service for the fiscal year 1868-69, but this vote was written off.

During the fiscal year 1868-69 the sum of \$24,128.88 was, as appears by the Bank account, drawn from the special account already referred to, leaving a balance at the close of the year of \$3,879.71. By the Public Accounts the sum of \$33,103.88 is entered as expended during this fiscal year. This entry was made by the Auditor General on authority similar to that of the preceding year.

The balance unexpended by the Public Accounts thus appears to have been \$1,809.71.

During the fiscal year 1869-70, the Auditor, on the 18th October, 1869, certified "That a transfer entry warrant may issue charging special deposit Secret Service, and crediting services of 1868 with \$8,398.83, being the balance unexpended in the year 1868-67."

The history of this sum is as follows:—Prior to Confederation the Legislature of the late Province of Canada had appropriated a sum for Secret Service, out of which by an Order in Council, dated August 6th, 1866, \$50,000 was ordered to be placed in a special account with the Bank of Montreal, in the names of the Attorneys General for Upper and Lower Canada, the Minister of Finance, and the Provincial Secretary; and was so placed on the following day, August 7th. On the 30th June, 1867, there remained unexpended of this amount the sum of \$8,398.83.

This sum was a banker's balance within the meaning of the 107th clause of the British North America Act, 1867, which provides that:—

"All stocks, cash, banker's balances, and securities for money belonging to each Province at the time of the Union, except as in this Act mentioned, shall be the property of Canada, and shall be taken in reduction of the amount of the respective debts of the Provinces at the Union."

Certain moneys paid by the Dominion immediately after the Union for certain services of the late Province of Canada were charged against the late Province in the Public Accounts of 1867-68, and in reduction thereof credit was given to the late Province for this balance as so much cash, thus closing this item of the accounts between the late Province and the Dominion. The balance which was thus the property of Canada remained untouched from 27th July, 1867, until 18th October, 1869, when under the authority of a transfer warrant issued by virtue of the Auditor's certificate above quoted; and without any Order in Council, it was transferred in the Public Accounts to the Secret Service account, and being added to the balance \$1,890.71 of the vote of \$50,000 for 1867-68, makes the sum of \$10,208.54, appearing in the Public Accounts for the year 1868-69, as an asset.

The Auditor states that this transfer was made because the fund was getting low.

By this transaction the sum in question was, in fact, diverted from the general funds of Canada and appropriated to Secret Service without authority from or indemnity by Parliament.

By the Bank account the expenditure during the fiscal year 1869-70 was \$13,960. In the Public Accounts the sum of \$10,208.54 is entered as expended for this year. This entry was made by the Auditor under similar circumstances to the preceding entries of similar expenditures.

During the session of 1870 the sum of \$75,000 was appropriated for this service for the fiscal year 1870-71.

On the 1st July, 1870, an Order in Council was made directing that \$30,000 be appropriated of the vote for 1870-71, and that a warrant should issue in favor of the Manager of the Bank of Montreal, with directions "to place it in special account with the Bank of Montreal in the names of the Minister of Justice, the Minister of Militia, the Minister of Finance, and the Minister of Inland Revenue, whose certificate that the same or any part thereof has been disbursed for the service of the country shall be a sufficient discharge and voucher for the payment of the same," and on the 6th July this sum was passed to the credit of the old special account of the late Province which had been opened on August 7th, 1866, and was thus added to the balance already referred to as standing to the credit of that account. The Bank account shows that from this account was drawn \$32,299.20 between 1st July and 6th December, 1870, at which date an Order in Council in terms similar to the one of July 1st, authorized the deposit of \$10,000 more. Between that date and February 11th, 1871, there was drawn \$749.30, and on February 11th there was deposited to the credit of the account the sum of \$15,584, which had been previously drawn by the then Minister of Finance for the payment of certain claims in connection with the difficulties in the Red River Settlement.

This deposit is stated to have been made out of funds provided under Orders in Council of 14th February and 10th July, 1871.

Between the 11th February and the close of the fiscal year 1870-71, there was drawn \$5,030, making the total drawn during that year for Secret Service, (and exclusive of the sum of \$15,584 drawn and re-deposited as already mentioned), \$27,494.50.

The balance appearing by the Bank account at the credit of this account on 30th June, 1871, is \$15,754.04.

On the 26th June, 1871, Sir John A. Macdonald, Minister of Justice, reported to Council "That it appears from the certificate of the Auditor that there remains unexpended of the vote for Secret Service the sum of thirty-five thousand dollars."

"As there was no vote taken for Secret Service last session, and inasmuch as there is sufficient evidence to show that the public interests may require that the unexpended balance should be used, the undersigned recommends that the same be carried to the credit of the Sub-Committee of Council on Secret Service matters."

And on the following day an Order in Council was made, carrying out this recommendation. In pursuance of this Order the sum of \$35,000 was, on the 3rd July, 1871, carried to the credit of the account.

By this course the whole of the vote of \$75,000 was taken, although there remained unexpended at the close of the fiscal year 1870-71 the two sums of \$15,754.04, and \$35,000, making in all \$50,754.04. In the Public Accounts for this fiscal year the whole sum of \$75,000 is entered as actually expended. This entry was made by the Auditor under verbal instructions. The Public Accounts contain no indication that any alteration was being made in the system of entry or accounting.

Sir John A. Macdonald states that he recommended the issue of \$35,000 on June 26th, 1871, partly because there were old claims, the payment of which might require a considerable sum, and partly because the public exigencies might require further expenditure.

The Bank account shows that between the 30th June, 1871, and 29th May, 1872, there was drawn \$3,575, which includes the sum of \$1,000 paid on the 27th December, 1872, to Archibishop Taché for Louis Riel, and referred to in the report of the Select Committee on the North-West Troubles.

On the 29th May, 1872, the Select Standing Committee on Public Accounts reported to the House as follows:—

"That inasmuch as such large sums as \$75,000 have been voted for Secret Service money, of which there is no audit as in the case of other expenditure, this Committee is of opinion that an account of all sums hereafter spent for Secret Service should be kept as in England, in a book specially prepared for the purpose, and that this book should annually be inspected by a confidential Committee, of whom two shall be members of the Opposition of the day."

No further sum was drawn during the fiscal year 1871-72, and the balance at the close of that year remained at \$47,179.40.

On November 11th, 1872, \$10,000 was transferred to the credit of Sir John A. Macdonald in the Bank of Montreal, Toronto, from which Bank it was drawn as follows: November 13, \$2,000; November 15, \$3,000; November 15, \$3,000; November 19, \$2,000.

On the 5th March, 1873, being the day of the opening of Parliament, Mr. Drummond, at the request of Sir John A. Macdonald, sent him all the cheques and other vouchers in connection with the various Secret Service accounts to that date, and Sir John A. Macdonald is unable to say where these papers are or what has become of them.

On the 27th June, 1873, the further sum of \$5,000 was drawn, making a total during the fiscal year 1872-73, and subsequent to the above quoted resolution of the Committee on Public Accounts, of \$15,000, and leaving a balance at the close of that year of \$32,179.04.

In August, 1873, Mr. Drummond, at Sir John A. Macdonald's request, sent him the cheques and other vouchers in connection with the payments subsequent to March 5th, and Sir John A. Macdonald is unable to say where these papers are or what has become of them.

To summarize for convenience, the expenditures and unexpended balance of each fiscal year, as appears by the Bank account, exclusive of the amount of \$15,584 re-deposited February 11th, 1871, and not crediting the unexpended balance of

\$8,398.83, until it was transferred October 18th, 1869, they are shown to be as follows:—

Expenditure for year 1867-68.....	\$21,991 41
Balance at close of the year.....	28,008 59
Expenditure for year 1868-69.....	24,128 88
Balance at close of the year.....	3,879 71
Expenditure for year 1869-70.....	13,960 00
Expenditure for the year 1870-71.....	22,494 50
Balance at close of the year.....	15,754 04

Exclusive of \$35,000 not deposited till July 3rd.

Expenditure for year 1871-72.....	3,575 00
Balance at close of the year.....	47,179 04
Expenditure for year 1872-73.....	15,000 00
Balance at close of the year.....	32,179 04

On the 7th of November, 1873, the Ministry of Sir John A. Macdonald resigned.

No intimation was given by the out-going to the in-coming Ministers of the existence of the balance of \$32,179.04, nor was any proposal then made to clear the account.

Just before the time of his resignation, Sir John A. Macdonald intimated to Mr. Langton, the Auditor-General, that there was a balance which was subject to some outstanding claims; but that fact was not communicated by Mr. Langton to the new Ministers.

More than once between the resignation and November, 1875, Sir John A. Macdonald intimated to Mr. Drummond, Manager of the Bank of Montreal, his desire to withdraw from the special deposit a sum in respect of some alleged outstanding claims, but Mr. Drummond stated that he considered the authority of the Government would be requisite for such a transaction, on which Sir John intimated that he would communicate with Mr. Langton on the subject.

Matters so remained till November, 1875, when Sir John A. Macdonald visited Ottawa, and saw Mr. Langton upon the business. Thereupon Mr. Langton had a conversation with Mr. Drummond, who subsequently wrote Mr. Langton the following letter:—

“ BANK OF MONTREAL,
“ OTTAWA, 3rd November, 1875.

“ MY DEAR SIR,—The balance of credit of the special of Sir John A. Macdonald in this branch is \$32,179.04.

“ In view of this being closed under the arrangements you may have agreed on with Sir John, please send me such official instructions as to its disposal as may be requisite to authorize me to carry out the same.”

On November 4th, Mr. Drummond received the following reply:—

“ November 4th, 1875.

“ MY DEAR SIR,—I had an interview with Sir John Macdonald before I left Ottawa, in which he explained to me that the balance of Secret Service standing in his name was \$32,179.04. Of this \$6,600 is pledged for certain expenses incurred before the resignation of the late Ministry, and he wishes the balance to be deposited.

“ Be good enough, therefore, to deposit the \$25,579.04 to the credit of the Receiver-General, and send me a duplicate and triplicate of the deposit.

“ (Signed) JOHN LANGTON.”

On the 12th November, 1875, Sir John A. Macdonald drew a cheque on the account in question in his own favour for \$6,600, and another cheque in favour of the Receiver-General for the balance of \$25,579.04. The latter was deposited to the credit of the Receiver-General; the former was transferred to Sir John A. Macdonald's private account at Toronto.

On 12th November, Mr. Drummond wrote the following letter to Mr. Langton

“BANK OF MONTREAL,
OTTAWA, 12th November, 1875.

“DEAR SIR,—The special Secret Service Fund account has been closed in the manner authorized by your letter of the 4th inst., by the accounting to Sir John A. Macdonald for \$6,600, the amount pledged by him as agreed with you, and transfer of the balance \$25,579.04 to the credit of the Receiver-General as per enclosed receipt “No. 66.

“(Signed) A. DRUMMOND,
Manager.”

None of the parties made any communication of these transactions to any Minister till after they had been closed, when Mr. Langton informed the Prime Minister, Mr. Mackenzie, of the receipt of revenue under the head of Secret Service, and also of the retention by Sir John A. Macdonald of the sum of \$6,600. It was not intimated to Mr. Mackenzie that this sum had been standing to the credit of a Committee of Council, and his impression was that it had been in the hands of Sir John A. Macdonald individually, and that he had disbursed it.

In this view, Mr. Mackenzie discussed the subject with Mr. Langton, who, on 23rd November, wrote Sir John A. Macdonald the following letter:—

“November 23rd, 1875.

“MY DEAR SIR JOHN,—When I mentioned to Mr. Mackenzie the other day, the receipt we had had from you on account of Secret Service money, he requested me to call your attention to a resolution of the Committee upon public accounts which was submitted to the House, and which you will find at page 173 of the Journals of 1872. I doubt whether there was any expenditure for Secret Service after that date, as I learn from the Bank of Montreal that the present balance had remained untouched for upwards of a year before the resignation of your Ministry, but Mr. Mackenzie intimated that he would expect a statement to be made of the payments made out of the \$6,600 which you withhold as already pledged, in accordance with that resolution.

“(Signed) JOHN LANGTON,
Auditor.”

To this, Sir John A. Macdonald replied as follows:—

“TORONTO, November 30th, 1875.

“MY DEAR LANGTON,—I have yours of the 23rd, which absence from home has prevented me from acknowledging before.

“I do not think that the fund at my disposal comes within the resolution you refer to; but I shall wait on Mr. Mackenzie, and explain the matter to him on the first opportunity. I would have done so had he been in Ottawa when I was there, but he had gone to the Maritime Provinces.

“(Signed) JOHN A. MACDONALD.”

Sir John A. Macdonald retained the sum of \$6,600, and during the session of 1876 was informed by Mr. Mackenzie, on three several occasions, that the whole subject must be communicated to Parliament. He requested delay, however, partly owing to illness, promising to see Mr. Mackenzie in relation to the matter. He did not see Mr. Mackenzie to give the promised explanations until about the time of prorogation, when a conversation was had which did not result in any arrangement.

Shortly afterwards Sir John A. Macdonald paid \$6,000 to the Hon. Senator Campbell; \$600 he still retains for the purpose hereinafter mentioned.

Sir John A. Macdonald states that all the moneys spent since the 29th May, 1872, save the \$600 chequed out for payment to the Hon. J. H. Pope, were for claims contracted before 29th May, 1872.

The Committee abstaining, in view of the resolution of the 29th May, 1872, from any public enquiry into the destination of the sums expended, have not investigated the specific dates at which all those claims arose which were satisfied by payment subsequent to the resolution of 1872; but it has been made to appear, with reference to the sum of \$600 retained to meet a payment made by the Hon. J. H. Pope, the member for Compton, that this claim arose in the summer of the year 1873, and consequently subsequent to the date of the resolution.

The English law and practice applicable to Secret Service moneys, so far as material to the present enquiry, seems to be as follows:—

(1.) When money is issued from the pay office to the Secretary of State as Secret Service money, the Secretary of State gives a receipt under his own hand for the money which is issued to him.

(2.) By 22 Geo. III., c. 82, it is provided by section 24, as follows:—"and from preventing as much as may be all abuses in the disposal of moneys issued under the head of Secret Service money, or money for special service, be it enacted by the authority aforesaid, that it shall not be lawful to issue or imprest from the Exchequer, or order to be paid by a Treasury Warrant, or under sign manual or otherwise, to any Secretary or Secretaries of the Treasury, or to any other person or persons whatsoever, from the Civil List revenues, for the purpose of Secret Service within this Kingdom, any sum or sums of money which in the whole shall exceed the sum of ten thousand pounds in any one year." And it is also provided that when the Treasury issues or directs the payment of money from the civil list revenues for foreign Secret Service, the same is issued and paid to one of His Majesty's principal Secretaries of State, or to the first Commissioner of the Admiralty, who shall for his discharge at the Exchequer, within three years from the issue, produce the receipt of His Majesty's Minister, Commissioner, or Consul in foreign parts, or of any Commander in Chief or other commander of His Majesty's Navy or land forces to whom the said money shall have been sent or given; that the same hath been received for the purpose for which the same hath been issued; which said receipt shall be filed in the Exchequer in order to charge the said foreign Minister or other officer with the same, and the said receipt shall be sufficient to acquit or discharge the said Secretary or Secretaries, or first Commissioner of the Admiralty in the said account at the Exchequer.

And any foreign Minister or other officer who shall stand charged at the Exchequer for or by reason of any Secret Service money by him received, shall stand discharged and acquitted thereof, if within one year after his arrival in Great Britain he shall either return the said money into the Exchequer or make oath before the Barons of the Exchequer, or one of them, in form following:

I, A. B., do swear that I have disbursed the money entrusted to me for foreign Secret Service faithfully, according to the intent and purpose for which it was given; according to the best of my judgment, for His Majesty's service. So help me God.

And also, whenever it shall be necessary for the principal Secretary of State, or first Commissioner of the Admiralty, to make payment of any money issued for foreign Secret Service, or for Secret Service, in detecting, preventing, or defeating treasonable conspiracies against the State in any place within the Kingdom, then it shall be sufficient to acquit and discharge the said Secretary or other Minister for him or the Under Secretary of State in the office in which such Secret Service money hath been

paid, or the Secretary of the Admiralty, to make out before the Barons of the Exchequer, or one of them, or before the Cursory Baron, in form following : I, A. B., do swear that the money paid to me for foreign and Secret Service, or for Secret Service, in detecting, preventing, or defeating treasonable or other dangerous conspiracies against the State, (*mutatis mutandis*, as the case may be), has been *bona fide* applied to the said purpose or purposes, and to no other; and that it hath not appeared to me convenient to state that the same should be paid abroad.

(3.) The practice enjoined by this Statute is acted on with reference to the Parliamentary appropriation made from year to year for Secret Service.

(4.) Each out-going Secretary of State immediately renders an account, and transfers the money in his hands to the new Secretary of State, who starts with a fresh account, carrying on as the first item on the debit side the Secret Service money which has been transferred to him by the previous Secretary of State.

(5.) Since 1870, the amount expended during the fiscal year is entered in the Public Accounts for the year as expended for Secret Service.

(6.) Since 1870 the balance unexpended at the end of the fiscal year is surrendered to the Treasury in like manner as other balances of public funds.

The Canadian law contains no special provision for Secret Service expenditures, and consequently some of the special safeguards provided for by the English law are absent.

Under the Canadian law and Orders in Council and the resolution of the Public Accounts Committee of May 29th, 1872, the practice should have been as follows :—

(1.) The Ministers in whose names the fund was placed, should have certified that the money paid therefrom had been disbursed for the service of the country.

(2.) The amount disbursed during the fiscal year should have been entered in the Public Accounts for the year, as expended for Secret Service.

(3.) The amount unexpended at the end of the fiscal year, remaining at the credit of the special account of the Sub-Committee of Council on Secret Service, should have been treated as a lapsed balance, under the Act 31 Vic., cap. 5, sect. 28, which, without making any exception whatever, provided that: "All balances of "appropriations which remain unexpended at the end of the financial year, shall "lapse and be written off."

(4.) Any moneys standing to the credit of any Sub-Committee of Council on Secret Service, should have been treated as remaining at the credit of the Sub-Committee, notwithstanding any change in the persons of the Ministers composing the Sub-Committee, and thus, in case any of such persons ceased to hold office, his interest in or control over the moneys would thereon end, and his successor in office would succeed to his rights and responsibilities in this as in other respects. The same rule would, of course, apply in the case of the resignation of all the members of the Sub-Committee.

(5.) If, however, it were supposed that owing to the form of the deposit or otherwise, any member of the Sub-Committee retained after his resignation control over the fund, or in case any portion of the fund had been before his resignation placed in the individual control of any member of the Sub Committee for expenditure, but had not been actually disbursed, such individual could not after his resignation, have any right to disburse the fund, but would be bound to hand it over to those who had succeeded to his responsibilities.

In this connection reference may be made to the 42nd clause of the Act respecting the liability of Public Accounts, 31 Vic., cap. 5, which provides that :

" If any officer or person has received public money for the purpose of applying " it to any specific purpose, and has not so applied it within the time or in the manner " provided by law, or if any person having held any public office and having ceased " to hold the same, has in his hands any public money, received by him as such officer, " for the purpose of being applied to any specific purpose to which he has not so " applied it, such officer or person shall be deemed to have received such money for " the Crown, for the public uses of the Dominion, and may be notified by the Minister " of Finance to pay such sum back to the Receiver-General, and the same may be

" recovered from him as a debt to the Crown in any manner in which debts to the Crown may be recovered, and an equal sum may, in the meantime, be applied to the purpose to which such sum ought to have been applied."

(6) An Account should have been kept of all sums spent, and this, more especially, after the resolution of the Public Accounts Committee of May 29th, 1872.

These provisions appear to have been disregarded. For example :

(1) No certificate or voucher of the disbursing Ministers was given.

(2) The entries made (without any such certificate) of amounts expended in the earlier fiscal years after Confederation were, as compared with the bank account, varied therefrom.

(3) The unexpended balances were not surrendered.

(4) With reference to the expenditure of the vote for 1867-68, a sum was entered in the Public Accounts as actually expended in the fiscal year, and an assumed balance was carried forward as an asset. This practice was repeated for the two following years, and thereby Parliament was practically told that the amount entered as expended in each fiscal year had been actually expended in that year, and that the balance was being carried forward for expenditure in future years.

This course was, however, without any communication of the change, departed from in the case of the large vote of \$75,000 for the service of the fiscal year 1870-71, the whole of which sum was entered as actually expended in that fiscal year, although at the close of the year \$50,754.04, or more than two-thirds of the amount remained unexpended, \$35,000 of which was actually not placed to the credit of the Sub-Committee until three days after the close of the fiscal year.

The result of this alteration of system without communication to Parliament, was to lead Parliament to believe that the Secret Service Fund voted for 1870-71, was exhausted, when in fact there remained thereof unexpended, over \$50,000.

(5) A considerable part of this balance, which should have been written off, was spent in subsequent years.

(6) No entry of the existence, or of any subsequent actual expenditure of this balance was even made in the Public Accounts, and its existence and the dealings therewith would have remained unknown but for the events which have led to the present enquiry.

(7) No account of the sums spent for Secret Service was kept, after the resolution of the 29th May, 1872, which expressly stated that such an account should be kept for the purpose of a confidential audit.

It has been suggested that this resolution does not apply to moneys spent subsequent to its date in discharge of prior claims, but the Committee cannot concur in this view. The clear and conclusive language of the resolution embraces all sums spent subsequent to its date.

(8) The sum of \$8,398.83 of the public moneys of Canada was, without the authority of Parliament, appropriated to, and expended for Secret Service.

(9.) Two sums, amounting in the aggregate to \$15,584, were drawn from the Secret Service Special Account and applied to other unauthorized purposes, though subsequently made good to the fund.

(10) The out-going Ministers did not inform their successors of the balance to the credit of the Sub-Committee of Council or deal with them in respect thereof.

(11.) Over two years after his resignation, when another person was filling the office of Minister of Justice, and after Sir John A. Macdonald had ceased to have any legal or constitutional control over the fund, for the disbursement of which his successors were responsible, he drew therefrom the sum of \$6,600 before mentioned.

The Committee are of opinion as follows :—

(1.) That the course pursued, and hereinbefore specified with regard to the Secret Service moneys, was highly irregular and a breach of the duty of those concerned therein.

(2.) That steps should be taken for the recovery into the public chest of the said sum of \$6,600.

(3.) That no accounts having been kept, and the cheques or papers having been

lost or destroyed, a satisfactory audit of the Secret Service expenditure has been rendered impossible.

(4.) That it was the duty of the Auditor General to have informed the new Ministers of the fact that there was a balance at the credit of the Sub-Committee of Council, and to have obtained the authority of the Ministers before giving Mr. Drummond the directions about the disposal of the money contained in his letter of November 4th, 1875.

(5.) That, in case Secret Service moneys should at any time hereafter be voted by Parliament, it would be proper to provide further statutory safeguards against abuses in the application thereof.

On motion of Mr. Kirkpatrick the consideration of the said proposed report was postponed until the same had been printed and distributed to the members of this Committee, with a copy of the evidence annexed to it.

HOUSE OF COMMONS

RAILWAY COMMITTEE ROOM,
OTTAWA, 9th April, 1877.

Scroll of Select Standing Committee on Public Accounts.

Committee met.

MEMBERS PRESENT :

JAMES YOUNG, Esq., *Chairman.*

Messieurs

Blake,	Holton,	Pettes,
Bourassa,	Kirkpatrick,	Plumb,
Brouse,	Landerkin,	Power,
Burpee (Sunbury),	Langevin,	Robitaille,
Caron,	Laurier,	Ross (Prince Edward),
Cartwright,	Little,	Rouleau,
Charlton,	Sir J. A. Macdonald,	Rymal,
Cimon,	Macdonald (Toronto),	Scriver,
Colby,	Macdougall (Elgin),	Smith (Selkirk),
Davies,	Mackenzie,	Snider,
Delorme,	Masson,	Thompson (Cariboo),
Desjardins,	McCraney,	Thompson (Haldimand),
DeVeber,	McGregor,	Thompson (Welland),
Domville,	McLeod,	Tupper,
Dymond,	McNab,	Vail,
Gibbs (Ontario South),	Metcalf,	Wood,
Gibson,	Mills,	Workman,
Goudge,	Mitchell,	Wright (Ottawa) and
Harwood,	Ouimet,	Wright (Pontiac).

The Committee proceeded to the consideration of the Report proposed to be made to the House on Secret Service expenditure.

Mr. Kirkpatrick, with leave of the Committee, put the following question to Sir John Macdonald :—

Q. Were the moneys disbursed out of the Secret Service Fund, by the Sub-Committee, since 29th May, 1872, for services rendered before that date?

Sir John Macdonald replied as follows: With the exception of \$600, retained to meet money paid by Hon. Mr. Pope, all the moneys disbursed since the resolution of 29th May, 1872, were for claims against the fund for services rendered before that date.

After which,

Sir John Macdonald suggested the following alterations in the Report, which were made:—The word “about” struck out, and “just before” substituted in the third paragraph of page 11; and in the fourth paragraph of same page strike out “at various times,” and insert “more than once.”

Mr. Kirkpatrick suggested the following alterations, which were made: After “\$600 he still retains,” insert “for the purposes hereinafter mentioned,” in the second paragraph of page 13, and then insert the following new paragraph :—

"Sir John Macdonald states that all the monies spent since the 29th May, 1872, "save the \$600 chequed out for payment to the Hon. Mr. Pope, were for claims contracted before 29th May, 1872."

And in the 3rd line of the next paragraph insert "specific" before "dates," and in the second sub-section of the next paragraph insert after "it is provided by "Section 24" as follows: "And from preventing as much as may be all abuses in "the disposal of moneys issued under the head of Secret Service, be it enacted by the "authority aforesaid, that it shall not be lawful to issue or imprest from the "Exchequer, or order to be paid by a Treasury warrant, or undersign manual or "otherwise, to any secretary or secretaries of the Treasury or to any other person or "persons whatsoever, from the civil list revenues for the purpose of Secret Service "within this Kingdom, any sum or sums of money which in the whole shall exceed "the sum of ten thousand pounds in any one year; and it is also provided."

After which further consideration of the proposed Report was postponed until to-morrow at 10.30 o'clock.

The Committee then adjourned.

HOUSE OF COMMONS,

RAILWAY COMMITTEE Room,
OTTAWA, 10th April, 1877.

Scroll of Select Standing Committee on Public Accounts.

Committee met.

MEMBERS PRESENT:

JAMES YOUNG, Esq., *Chairman.*

Messieurs

Blake,	Harwood,	Plumb,
Bourassa,	Holton,	Power,
Brouse,	Jones (Halifax),	Robitaille,
Burpee (St. John),	Kirkpatrick,	Ross (Prince Edward),
Burpee (Sunbury),	Langevin,	Rouleau,
Caron,	Little,	Rymal,
Cartwright,	Macdonald (Toronto),	Scriver,
Charlton,	Macdougall (Elgin),	Smith (Selkirk),
Colby,	Mackenzie,	Snider,
Davies,	Masson,	Thompson (Cariboo),
Delorme,	McCraney,	Thompson (Haldimand),
Domville,	McLeod,	Thomson (Welland),
Dymond,	McNab,	Tupper,
Galbraith,	Metcalfe,	Vail,
Gibbs (Ontario South),	Mitchell,	Wood, and
Gibson,	Mousseau,	Workman.
Goudge,	Pettes,	

The Committee proceeded to the further consideration of the Report proposed to be made to the House on Secret Service Expenditure.

Mr. Charlton suggested that the words "no portion of the civil list being any longer applied to Secret Service under the Statute" be left out of the Report, which suggestion was adopted.

Committee deliberated.

Mr. Plumb moves in amendment that the following be reported to the House as the Report on Secret Service Expenditure:—

PROPOSED AMENDED REPORT.

THE SELECT STANDING COMMITTEE on Public Accounts, to whom was referred the following items of expenditure of Secret Service Funds, viz.: The item of \$15,086.41, for the year 1868; the item of \$33,103.88, for the year 1869; the item of \$10,208.54, for the year 1870; and the item of \$75,000, for the year 1871, have had the same under consideration; and upon the order of reference and matters connected therewith including the refund of \$25,579.04 to the Receiver-General on 12th November, 1875, and the withdrawal of \$6,600 from the same fund upon the same day, the Committee beg to present as their

REPORT:

That they have examined several witnesses, a copy of whose evidence is appended, and upon the facts established before the Committee they, beg leave to submit the following:—

In the session of 1867-68 Parliament appropriated for Secret and Detective Service for the fiscal year, 1867-68, the sum of \$50,000.

On the 5th June, 1868, within four weeks of the close of the fiscal year, an order was made in Council directing \$50,000 of the vote for Secret and Detective Service for 1868 to be placed on special account with the Bank of Montreal, in the names of the Minister of Justice, the Minister of Militia, the Minister of Finance, and the Minister of Inland Revenue, whose certificate that the money or any part thereof had been disbursed for the service of the country should be a sufficient discharge and voucher for the payment of the same. On the 6th of June this sum was deposited accordingly.

Between the 10th and the 29th of June there was drawn, as appears by the Bank account produced by the Agent of the Bank, \$21,991.41, leaving a balance unexpended at the close of the fiscal year of \$28,008.59. By the Public Accounts the sum of \$15,081.41 only is entered as expended during the fiscal year. This entry was made by the Auditor-General under verbal instructions from some Minister, but whom he does not remember.

In the session of 1869 the sum of \$75,000 was voted for this service for the fiscal year 1868-69, but this vote was written off.

During the fiscal year 1868-69 the sum of \$24,128.88 was, as appears by the Bank account drawn from the special account already referred to, leaving a balance at the close of the year of \$3,879.71. By the Public Accounts the sum of \$33,103.88 is entered as expended during this fiscal year. This entry was made by the Auditor-General on authority similar to that of the preceding year.

The balance unexpended by the Public Accounts thus appears to have been \$1,809.71.

During the fiscal year 1869-70, the Auditor, on the 18th of October, 1869, certified :

"That a transfer entry warrant may issue charging special deposit "Secret Service, and crediting services of 1868 with \$8,398.83, being the "balance unexpended in the year 1866-7."

The history of this sum is as follows:—Prior to Confederation the Legislature of the late Province of Canada had appropriated a sum for Secret Service, out of which by an Order in Council, dated August 6th, 1866, \$50,000 was ordered to be placed in a special account with the Bank of Montreal, in the names of the Attorneys-General for Upper and Lower Canada, the Minister of Finance, and the Provincial Secretary; and was so placed on the following day, August 7th. On the 30th June, 1867, there remained unexpended of this amount the sum of \$8,398.83.

This sum was regularly credited to the late Province of Canada in the accounts of the Dominion Treasury.

By the Bank account the expenditure during the fiscal year 1869-70 was \$13,960. In the Public Accounts the sum of \$10,208.54 is entered as expended for this year. This entry was made by the Auditor under similar circumstances to the preceding entries of similar expenditures.

During the session of 1870, the sum of \$75,000 was appropriated for this service for the fiscal year 1870-71.

On the first July, 1870, an Order in Council was made directing that \$30,000 be appropriated of the vote for 1870-71, and that a warrant should issue in favor of the Manager of the Bank of Montreal, with directions "to place it in special account with the Bank of Montreal, in the names of the Minister of Justice, the Minister of Militia, the Minister of Finance and the Minister of Inland Revenue, whose certificate that the same or any part thereof has been disbursed for the service of the country shall be a sufficient discharge and voucher for the payment of the same," and on the 6th July this sum was passed to the credit of the old special account of the late Province, which had been opened on August 7th, 1866, and was thus added to the balance already referred to as standing to the credit of that account. The Bank account shows that from this account was drawn \$32,299.20 between 1st July and 6th December, 1870, at which date an Order in Council, in terms similar to the one of July 1st, authorized the deposit of \$10,000 more. Between that date and February 11th, 1871, there was drawn \$749.30, and on February 11th there was deposited to the credit of the account the sum of \$15,584, which had been previously drawn by the then Minister of Finance for the payment of certain claims in connection with the difficulties in the Red River Settlement.

This deposit is stated to have been made out of funds provided under Orders in Council of 14th February and 10th July, 1871.

Between the 11th February and the close of the fiscal year, 1870-71, there was drawn \$5,030, making the total drawn during that year for Secret Service (and exclusive of the sum of \$15,584 drawn and re-deposited as already mentioned), \$22,494.50.

The balance appearing by the Bank account at the credit of this account on 30th June, 1871, is \$15,754.04.

On the 26th June, 1871, Sir John A. Macdonald, Minister of Justice, reported to Council "That it appears, 'from the certificate of the Auditor,

"that there remains unexpended of the vote for Secret Service, the sum of
" \$35,000."

"As there was no vote taken for Secret Service last session, and inasmuch as there is sufficient evidence to show that the public interests may require that the unexpended balance should be used, the undersigned recommends that the same be carried to the credit of the Sub-Committee of Council on Secret Service matters."

And on the following day an order in Council was made, carrying out this recommendation. In pursuance of this Order, the sum of \$35,000 was, on the 3rd July, 1877, carried to the credit of the account.

By this course the whole of the vote of \$75,000 was taken, although there remained unexpended at the close of the fiscal year 1870-71 the two sums of \$15,754.04, and \$35,000, making in all \$50,754.04. In the Public Accounts for this fiscal year the whole sum of \$75,000 is entered as actually expended. This entry was made by the Auditor under verbal instructions. The Public Accounts contain no indication that any alteration was being made in the system of entry or accounting.

Sir John A. Macdonald states that he recommended the issue of \$35,000 on June 26th, 1871, partly because there were old claims, the payment of which might require a considerable sum, and partly because the public exigencies might require further expenditure.

The Bank account shows that between the 30th June, 1871, and 29th May, 1872, there was drawn \$3,575, which includes the sum of \$1,000 paid on the 27th December, 1871, to Archbishop Taché for Louis Riel, and referred to in the report of the Select Committee on the North-West Troubles.

On the 29th May, 1872, the Select Standing Committee on Public Accounts reported to the House as follows:—

"That inasmuch as large sums as \$75,000 have been voted for Secret Service money, of which there is no audit as in the case of other expenditure, this Committee is of opinion that an account of all sums hereafter spent for Secret Service should be kept as in England, in a book specially prepared for the purpose, and that this book should annually be inspected by a confidential Committee, of whom two shall be members of the Opposition of the day."

No further sum was drawn during the fiscal year 1871-72, and the balance at the close of that year remained at \$47,179.40.

On November 11th, 1872, \$10,000 was transferred to the credit of Sir John A. Macdonald in the Bank of Montreal, Toronto, from which Bank it was drawn as follows:—November 13, \$2,000; November 15, \$3,000; November 15, \$3,000; November 19, \$2,000.

On the 5th March, 1873, being the day of the opening of Parliament, Mr. Drummond, at the request of Sir John A. Macdonald, sent him all the cheques and other vouchers in connection with the various Secret Service accounts to that date, and Sir John A. Macdonald is unable to say where these papers are or what has become of them.

The Committee think this of no import, as if they were in existence, this Committee ought not to require them to be produced. But Sir John A. Macdonald presumes they were destroyed, or ought to have been, for fear of compromising parties employed for Secret Service.

On the 27th June, 1873, the further sum of \$5,000 was drawn, making a total during the fiscal year 1872-73, and subsequent to the above quoted resolution of the Committee on Public Accounts, of \$15,000, and leaving a balance at the close of that year of \$32,179.04.

In August, 1873, Mr. Drummond, at Sir John A. Macdonald's request, sent him the cheques and other vouchers in connection with the payments subsequent to March 5th, and Sir John A. Macdonald is unable to say where these papers are or what has become of them. *In regard to these vouchers he makes the same remark that he did as to the vouchers previously mentioned.*

To summarize for convenience, the expenditures and unexpended balances for each fiscal year, as appears by the Bank account, exclusive of the amount of \$15,584, re-deposited February 11th, 1871, and not crediting the unexpended balance of \$8,398.83, until it was transferred October 18th, 1869, they are shown to be as follows :—

Expenditure for year 1867-68.....	\$21,991 41
Balance at close of the year.....	28,008 59
Expenditure for year 1868-69.....	24,128 88
Balance at close of the year.....	3,879 71
Expenditure for year 1869-70.....	13,960 00
Expenditure for the year 1870-71.....	22,494 50
Balance at close of the year.....	15,754 04

Exclusive of \$35,000 not deposited till July 3rd.

Expenditure for year 1871-72.....	8,575 00
Balance at close of the year.....	47,179 04
Expenditure for year 1872-73.....	15,000 00
Balance at close of the year.....	32,179 04

It will therefore be seen that all the sums voted and belonging to the said fund were paid out and expended during the term of office of the late Ministry, except the balance of \$32,179.04, which forms the principal subject of the present enquiry, and which remained undisturbed in deposit in the Bank of Montreal until November 12th, 1875.

On that day, Sir John Macdonald, by arrangement with the Auditor, transferred to the credit of the Receiver-General \$25,579.04 of this balance, and the remaining \$6,600 was transferred under such arrangement to his account at Toronto, to meet obligations incurred on Secret Service account by his former colleagues, the Hon. Messrs. Campbell and Pope ;—that of the Hon. Mr. Campbell being \$6,000, having been incurred prior to May, 1872 ; and that of \$600 to the Hon. Mr. Pope, having been paid by him in the summer of 1873.

On the 7th of November, 1873, the Ministry of Sir John A. Macdonald resigned.

No intimation was given by the outgoing to the incoming Ministers of the existence of the balance of \$32,179.04, nor was any proposal then made to clear the account.

Just before his resignation, Sir John A. Macdonald informed Mr. Langton, the Auditor-General, that there was a balance which was subject to some outstanding claims ; but that fact does not appear to have been communicated by Mr. Langton to the new Ministers.

At various times between the resignation and November, 1875, Sir John A. Macdonald discussed this special fund with Mr. Drummond, Manager of the Bank of Montreal, and the position of the outstanding claims upon it. Mr. Drummond stated that he considered the authority of the Government would be requisite for dealing with it, on which Sir John stated that he would communicate with Mr. Langton on the subject.

In November, 1875, Sir John A. Macdonald visited Ottawa, and saw Mr. Langton upon the business. Thereupon Mr. Langton had a conversation with Mr. Drummond, who subsequently wrote Mr. Langton the following letter :—

“ BANK OF MONTREAL,
“ OTTAWA, 3rd Nov., 1875.

“ MY DEAR SIR,---The balance of credit of the special of Sir John A. Macdonald in this branch is \$32,179.04.”

“ In view of this being closed under the arrangements you may have agreed on with Sir John, please send me such official instructions as to its disposal as may be requisite to authorize me to carry out the same.”

On November 4th, Mr. Drummond received the following reply :----

“ November 4th, 1875.

“ MY DEAR SIR,---I had an interview with Sir John Macdonald before I left Ottawa, in which he explained to me that the balance of Secret Service standing in his name was \$32,179.04. Of this \$6,600 is pledged for certain expenses incurred before the resignation of the late Ministry, and he wishes the balance to be deposited.

“ Be good enough, therefore, to deposit the \$25,579.04 to the credit of the Receiver-General, and send me a duplicate and triplicate of the deposit.

“(Signed) JOHN LANGTON.”

On the 12th November, 1875, Sir John A. Macdonald drew a cheque on the account in question in his own favour for \$6,600, and another cheque in favour of the Receiver-General for the balance of \$25,579.04. The latter was deposited to the credit of the Receiver-General; the former was transferred to Sir John A. Macdonald's private account at Toronto. (?)

On 12th November, Mr. Drummond wrote the following letter to Mr. Langton :--

BANK OF MONTREAL,
OTTAWA, 12th November, 1875.

“ DEAR SIR,---The special Secret Service Fund account has been closed in the manner authorized by your letter of the 4th inst., by the accounting to Sir John A. Macdonald for \$6,600, the amount pledged by him as agreed with you, and transfer of the balance \$25,579.04 to the credit of the Receiver-General as per enclosed receipt No. 66.

(Signed) A. DRUMMOND,
Manager

After these transactions had been closed, Mr. Langton informed the Prime Minister, Mr. Mackenzie, of the receipt of \$25,579.04 revenue under the head of Secret Service, and also of the retention by Sir John A. Macdonald of the sum of \$6,600. It was not intimated to Mr. Mackenzie that this sum had been standing to the credit of a Committee of Council, and his impression was that it had been in the hands of Sir John A. Macdonald individually, and that he had disbursed it.

In this view, Mr. Mackenzie discussed the subject with Mr. Langton, who, on 23rd November, wrote Sir John A. Macdonald the following letter:

" November 23rd, 1875.

" My DEAR SIR JOHN,----When I mentioned to Mr. Mackenzie the other day, the receipt we had had from you on account of Secret Service money, " he requested me to call your attention to a resolution of the Committee " upon Public Accounts which was submitted to the House, and which you " will find at page 173 of the Journals of 1872. I doubt whether there " was any expenditure for Secret Service after that date, as I learn from the " Bank of Montreal that the present balance had remained untouched for " upwards of a year before the resignation of your Ministry, but Mr. Mac- " kenzie intimated that he would expect a statement to be made of the " payments made out of the \$6,600 which you withhold as already pledged, " in accordance with that resolution.

"(Signed) JOHN LANGTON,
"Auditor."

To this, Sir John A. Macdonald, replied as follows ;—

TORONTO, November 30th, 1875.

"MY DEAR LANGTON,—I have yours of the 23rd, which absence from home has prevented me from acknowledging before.

"I do not think that the fund at my disposal comes within the resolution you refer to; but I shall wait on Mr. Mackenzie, and explain the matter to him on the first opportunity. I would have done so had he been in Ottawa when I was there, but he had gone to the Maritime Provinces.

"(Signed,) JOHN A. MACDONALD."

Sir John A. Macdonald retained the sum of \$6,600, and during the session of 1876 was informed by Mr. Mackenzie, on three several occasions, that the whole subject must be communicated to Parliament. He requested delay, however, partly owing to illness, promising to see Mr. Mackenzie in relation to the matter. He did not see Mr. Mackenzie to give the promised explanations until about the time of prorogation, when a conversation was had which did not result in any arrangement.

Shortly afterwards Sir John A. Macdonald paid \$6,000 to the Hon. Senator Campbell; \$600 he still retains, *for Mr. Pope*.

The Committee abstaining, in view of the resolution of 29th May, 1872, from any public enquiry into the destination of the sums expended, have not investigated the specific dates at which all those claims arose,

which were satisfied by payment subsequent to the resolution of 1872; but it has been made to appear, with reference to the sum of \$600 retained to meet a payment made by the Hon. J. H. Pope, the member for Compton, that this claim arose in the summer of the year 1873, and consequently subsequent to the date of the resolution.

The English law and practice applicable to Secret Service moneys, so far as material to the present enquiry, seems to be as follows:—

(1.) When money is issued from the pay office to the Secretary of State as Secret Service money, the Secretary of State gives a receipt under his own hand for the money which is issued to him.

(2.) By 22 Geo. III., c. 82, it is provided that when the Treasury issues or directs the payment of money from the civil list revenues for foreign Secret Service, the sum is issued and paid to one of His Majesty's principal Secretaries of State, or to the first Commissioner of the Admiralty who shall for his discharge at the Exchequer, within three years from the issue, produce the receipt of His Majesty's Minister, Commissioner, or Consul in foreign parts, or of any Commander-in-Chief or other commander of His Majesty's Navy or land forces to whom the said money shall have been sent or given; that the same hath been received for the purpose for which the same hath been issued; which said receipt shall be filled in the Exchequer in order to charge the said foreign Minister or other officer with the same, and the said receipt shall be sufficient to acquit or discharge the said Secretary or Secretaries, or first Commissioner of the Admiralty in the said account at the Exchequer.

And any foreign Minister or other officer who shall stand charged at the Exchequer for or by reason of any Secret Service money by him received, shall stand discharged and acquitted thereof, if within one year after his arrival in Great Britain he shall either return the said money into the Exchequer or make oath before the Barons of the Exchequer, or one of them, in form following:

I, A. B., do swear that I have disbursed the money entrusted to me for foreign Secret Service faithfully, according to the intent and purpose for which it was given; according to the best of my judgment, for His Majesty's service. So help me God.

And also, whenever it shall be necessary for the principal Secretary of State, or first Commissioner of the Admiralty, to make payment of any money issued for foreign Secret Service, or for Secret Service, in detecting, preventing or defeating treasonable conspiracies against the State in any place within the Kingdom, then it shall be sufficient to acquit and discharge the said Secretary or other Minister for him or the Under Secretary of State in the office in which such Secret Service money hath been paid, or the Secretary of the Admiralty, to make out before the Barons of the Exchequer, or one of them, or before the Cursory Baron, in form following: I, A. B., do swear that the money paid to me for foreign Secret Service, or for Secret Service, in detecting, preventing, and defeating treasonable or other dangerous conspiracies against the State, (*mutatis mutandis*, as the case may be), has been *bona fide* applied to the said purpose or purposes, and to no other; and that it hath not appeared to me convenient to state that the same should be paid abroad.

(3.) The practice enjoined by this Statute is acted on with reference to

the Parliamentary appropriation made from year to year for Secret Service, no portion of the civil list being any longer applied to Secret Service under the Statute.

(4.) Each out-going Secretary of State immediately renders an account, and transfers the money in his hands to the new Secretary of State, who starts with a fresh account, carrying on as the first item on the debit side, the Secret Service money which has been transferred to him by the previous Secretary of State.

(5.) Since 1870, the amount expended during the fiscal year is entered in the Public Accounts for the year as expended for Secret Service.

(6.) Since 1870, the balance unexpended at the end of the fiscal year is surrendered to the Treasury in like manner as other balances of public funds.

The Canadian law contains no special provision for Secret Service expenditures, and consequently some of the special safeguards provided for by the English law are absent.

But it may be stated that, under the English practice, as it actually obtains at the present day, no audit is permitted of the purposes to which the Secret Service money has been applied, nor are the names ever disclosed of the recipients, such audit having been decided to be inexpedient; and it is also the rule that the money voted for Secret Service each year is treated as actually expended when paid to the Secretary of State, who holds in England the same position with respect to such Fund as the Sub-Committee appears to have held in Canada.

Under the Canadian law and Orders in Council and the resolution of the Public Accounts Committee of May 29th, 1872, the practice should have been as follows :—

(1.) The Ministers in whose names the fund was placed, should have certified that the money paid therefrom had been disbursed for the service of the country.

(2.) Any moneys standing to the credit of any Sub-Committee of Council on Secret Service, should have been treated as remaining at the credit of the Sub-Committee, notwithstanding any change in the persons of the Ministers composing the Sub-Committee, and thus, in case any of such persons ceased to hold office, his interest in or control over the moneys would thereon end, and his successor in office would succeed to his rights and responsibilities in this as in other respects. The same rule would, of course, apply in the case of the resignation of all the members of the Sub-Committee.

(3) If, however, it were supposed that owing to the form of the deposit or otherwise, any member of the Sub-Committee retained after his resignation control over the fund, or in case any portion of the fund had been, before his resignation, placed in the individual control of any member of the Sub-Committee for expenditure, but had not been actually disbursed, such individual could not after his resignation, have any right to disburse the fund, without the consent of the Government, but would be bound to hand it over to those who had succeeded to his responsibilities.

(4) An Account should have been kept of all sums spent after the resolution of the Public Accounts Committee of May 29th, 1872.

These provisions appear to have been disregarded. For example :

(1) No certificate or voucher of the disbursing Ministers was given.

(2) The entries made (without any such certificate) of amounts expended in the earlier fiscal years after confederation, were, as compared with the bank account varied therefrom.

(3) The unexpended balances were not surrendered.

(4) With reference to the expenditure of the vote for 1867-68, a sum was entered in the Public Accounts as actually expended in the fiscal year, and an *assumed balance* was carried forward as an asset. This practice was repeated for the two following years, and thereby Parliament was practically told that the amount entered as expended in each fiscal year had been actually expended in that year, and that the balance was being carried forward for expenditure in future years.

This course was, however, without any communication of the change departed from in the case of the large vote of \$75,000 for the service of the fiscal year 1870-71, the whole of which sum was entered as actually expended in that fiscal year, although at the close of the year, \$50,754.04, or more than two-thirds of the amount remained unexpended, \$35,000 of which was actually not placed to the credit of the Sub-Committee until three days after the close of the fiscal year.

(5) No account of the sums spent for the Secret Service was kept, after the resolution of the 29th May, 1872, which expressly stated that such an account should be kept for the purpose of a confidential audit.

It has been suggested that this resolution does not apply to moneys spent subsequent to its date in discharge of prior claims, and it is the contention of Sir John Macdonald that all the moneys had been in effect spent prior to that date, except the sum of \$600 by Mr. Pope.

(6.) Two sums amounting in the aggregate to \$15,584 were drawn from the Secret Service Special Account, having been expended for purposes connected with the Red River troubles were returned to the fund.

(7.) The outgoing Ministers did not inform their successors of the balance to the credit of the Sub-Committee of Council or deal with them in respect thereof.

(8.) Over two years after his resignation, when another person was filling the office of Minister of Justice, and after Sir John A. Macdonald had ceased to have any legal or constitutional control over the fund, for the disbursement of which his successors were responsible, he drew therefrom the sum of \$6,600 before mentioned.

The Committee are of opinion as follows:—

(1.) That the course pursued, and hereinbefore specified with regard to the Secret Service moneys was irregular, but worked no practical injury to the public interests.

(2.) That no accounts having been kept, and the cheques or papers having been lost or destroyed, an audit of the Secret Service expenditures has been rendered impossible, and would have been improper if it had been possible.

(3.) That it was the duty of the Auditor General to have informed the new Ministers of the fact that there was a balance at the credit of the Sub-Committee of Council, and to have obtained the authority of the Ministers before giving Mr. Drummond the directions about the disposal of the money contained in his letter of November 4th, 1875.

(4.) That in case Secret Service moneys should at any time hereafter be voted by Parliament it would be proper to provide further statutory safeguards against abuses in the application thereof.

The Committee are of opinion that it would be highly improper and greatly to the detriment of the public interest to require that a statement of the manner in which the Secret Service money has been expended should be laid before the Committee, and having limited the inquiry in that direction in the case now before them to the manner of the disposal of the unexpended balance which remained at the time of the resignation of the late Ministry, they do not think it advisable to allude to the disbursement prior to that time, further than to say,—

That it appears by the evidence and statements of Sir John Macdonald that all the engagements for expending the Secret Service money, except for the \$600 paid by Mr. Pope, were made prior to the passage of the recommendation of the Committee on Public Accounts in 1872. These expenditures were made by a Committee of the Privy Council, of which Sir Alex. Galt, Sir John Rose, Sir Francis Hincks, Sir John Macdonald, the Hon. W. P. Howland, the Hon. Mr. Tilley, and the Hon. Wm. McDougall were members, and your Committee do not think that anything has appeared in the course of this investigation to justify suspicion that the fund has not been properly expended.

It appears that there have been some irregularities in the method of opening and keeping the accounts, but your Committee are of opinion that they are clerical merely, and do not affect any principle connected with the disbursements of money under the Service.

The frank admission of Sir John Macdonald strengthens the opinion of the Committee that the retention of the unexpended balance was irregular, and that it should have been handed over to the incoming Ministry, but the Committee are of opinion that Sir John Macdonald, in permitting the balance of \$32,179.04 to remain in the Bank of Montreal in Ottawa, which appears to have been untouched until it was finally disposed of in November, 1875, was actuated by a desire to reduce the amount claimed against it, and that he acted throughout in good faith and with a single eye to the public interest. The Committee also reports that it appears in evidence that all the sums expended for the Secret Service moneys, except the sum of \$600 before mentioned, were contracted or and virtually expended prior to May 29th, 1872, and that they therefore did not come within the rule adopted by the Public Accounts Committee at that date, and that there is nothing in the evidence before us to justify the Government in attempting to recover by law the sum of \$6,600, alleged to have been retained by Sir John Macdonald out of the unexpended balance, but shown to have been fairly expended for the objects for which it was granted by Parliament.

Mr. Blake suggested that the proposed amended report be printed and distributed to the Members of the Committee before consideration, which suggestion was adopted.

HOUSE OF COMMONS,

RAILWAY COMMITTEE ROOM,
OTTAWA, 12th April, 1877.

Scroll of Select Standing Committee on Public Accounts.

Committee met.

MEMBERS PRESENT :

JAMES YOUNG, Esq., Chairman.

Messieurs

Archibald,	Harwood,	Pettes,
Blake,	Holton,	Plumb,
Bourassa,	Jones (Halifax),	Power,
Boyer,	Kirkpatrick,	Robitaille,
Burpee (Sunbury),	Landerkin,	Ross (Prince Edward),
Caron,	Langevin,	Rouleau,
Cartwright,	Little,	Rymal,
Charlton,	Macdonald (Toronto),	Scriver,
Colby,	Macdougall (Elgin),	Smith (Selkirk),
Delorme,	Mackenzie,	Snider,
DeVeber,	McCraney,	Thompson (Cariboo),
Domville,	McLeod,	Thompson (Haldimand),
Dymond,	McNab,	Thomson (Welland),
Fiset,	Metcalfe,	Tupper,
Fréchette,	Mills,	Vail,
Galbraith,	Mitchell,	Wood,
Gibbs (Ontario South),	Mousseau,	Workman and
Gibson,	Ouimet,	Wright (Ottawa).
Goudge,		

The Committee proceeded to the consideration of Mr. Plumb's amendment in amendment to Mr. Charlton's proposed Report.

Mr. Plumb suggested as an amendment to Sub-Section 6 on page 27, that the words "apparently not expended" be struck out, and the words "expended for purposes connected with the Red River troubles" inserted in lieu thereof, which suggestion was adopted.

Committee deliberated.

The Committee divided on Mr. Plumb's amendment, and the names being called for, were taken down as follow :—

*Yea*s : Messrs. Caron, Colby, Gibbs (Ontario), Harwood, Kirkpatrick, Langevin, Little, Plumb, Robitaille, Rouleau, Tupper, Thompson (Cariboo), and Wright (Ottawa.)—13.

*Nay*s : Messrs. Archibald, Blake, Bourassa, Burpee (Sunbury), Cartwright, Charlton, Delorme, DeVeber, Dymond, Fiset, Fréchette, Galbraith, Gibson, Goudge, Jones (Halifax), Landerkin, Macdougall (Elgin), Mackenzie, McCraney, McLeod, McNab, Metcalfe, Mills, Pettes, Power, Ross (Prince Edward), Rymal, Scriver, Smith (Selkirk), Snider, Thompson (Haldimand), Thomson (Welland), Vail, Wood and Workman.—35.

The Chairman declared the amendment lost.

The motion for the adoption of Mr. Charlton's proposed report on Secret Service funds was then put and carried on the following division :—

Yeas : Messrs. Archibald, Blake, Bourassa, Burpee (Sunbury), Cartwright, Charlton, Delorme, DeVeber, Dymond, Fiset, Fréchette, Galbraith, Gibson, Goudge, Jones (Halifax), Landerkin, Macdougall (Elgin), Mackenzie, McCraney, McLeod, McNab, Metcalfe, Mills, Pettes, Power, Ross (Prince Edward), Rymal, Scriver, Smith (Selkirk), Snider, Thompson (Haldimand), Thomson (Welland), Vail, Wood and Workman.—35.

Nays : Messrs. Caron, Colby, Gibbs (Ontario South), Harwood, Kirkpatrick, Langevin, Little, Plumb, Robitaille, Rouleau, Thompson (Cariboo), Tupper and Wright (Ottawa).—13.

Mr. Charlton moved that the motions, proceedings and votes of the Committee on this reference be reported to the House.—Carried.

The Committee then adjourned to the call of the Chair.

(Attest),

EDWARD P. HARTNEY,
Clerk of Committee.





